

CAL POLY POMONA FOUNDATION, INC.

GROUND LEASE

Ground Lease Summary¹

- A. **Landlord:** Cal Poly Pomona Foundation, Inc. (“Landowner”).
- B. **Tenant:** _____ (“Homeowner”).
- C. **Address of Home:** _____, Pomona, California (“Lot”).
- D. **Term of Ground Lease (Section 3):** 99 years, commencing - _____, and ending _____.
- E. **Lease Payments (Section 4):**
 - 1. **Monthly Rent** \$70.00 per month for years 1-5, \$280.00 per month for years 6-8, \$560.00 per month for years 9-99.
 - 2. **Adjusted Rents:** Adjustments will be made after year 10 and every 5 years thereafter based upon changes in the Consumer Price Index.
- F. **Ownership of Home (Section 6):** Homeowner owns the Home during the term of the Ground Lease.
- G. **Use of Lot (Section 7):** Homeowner shall use the Home as Homeowner’s principal place of residence, and shall not lease the Home to others (with certain limited exceptions).
- H. **Taxes (Section 8):** Property taxes on both the Home and Homeowner’s possessory interest in the Lot shall be payable by Homeowner.
- I. **Insurance (Section 9):** Homeowner shall maintain property insurance for the home and liability insurance and, if desired, insurance for the contents of the Home.
- J. **Maintenance of Home (Section 10):** Homeowner is responsible for all maintenance of the Home, including the maintenance of the interior and exterior of the Home, all structural aspects of the Home, utility lines servicing the Home, and the landscaping in the yard areas.
- K. **Improvements to Home (Section 14):** Proposed improvements to the Home or Lot must be submitted to Landowner for approval, in accordance with the Rules and Regulations and Architectural Guidelines (Exhibit H).
- L. **Sale of Home (Section 15):** Landowner has the right to purchase the Home for a ninety day period upon notice from Homeowner that the Home is for sale. The purchase price for the sale to Landowner or its assignee shall be the lowest of the following:

¹ The Ground Lease Summary set forth above is intended to be a summary of some of the more important provisions of the Ground Lease. This is not a complete summary of the Ground Lease, however, and in the event of any conflict between the full text of the Ground Lease and the Ground Lease Summary, the full text of the Ground Lease shall prevail. All terms used in the Ground Lease Summary shall have the definitions set forth in the Ground Lease.

- (i) the purchase price listed by Homeowner in the Homeowner Sale Notice,
- (ii) the Maximum Resale Price for the Home, or
- (iii) the appraised value of the Home (determined pursuant to the appraisal process described in Section 15.4.3, except that the appraisal shall apply to the Home as a whole, including, without limitation, any and all Qualified Capital Improvements made to the Home, and shall exclude the value of the Lot and the related infrastructure), and presale fix-up expenses (up to 5% of the indexed purchase price of the Home) supported by receipts and proof of payment.

If Landowner does not acquire the Home, Homeowner may offer to sell the Home to persons on the campus priority list, or any member of the general public. Upon resale, the Homeowner will enter into a new Lease with Landowner. The Maximum Resale Price will be capped at the sum of:

- (i) The original purchase price of the Home, increased by the rise in the Los Angeles County Consumer Price Index (the “Resale Price Index”), plus
- (ii) The appraised value of approved capital improvements made by Homeowner after purchase by homeowner (up to 25% of the original purchase price of the Home, as increased by the Resale Price Index), plus
- (iii) Presale fix-up expenses (up to 5% of the indexed purchase price of the Home) supported by receipts and proof of payment.

M. Landowner Option to Acquire Home (Section 16): Landowner has an option to acquire the Home in certain events, such as:

- (i) A change in employment status, including a voluntary cutback in hours, resignation, termination, nonrenewal of contract, or a change to an appointment status not considered to be a permanent position.
- (ii) Homeowner has less than a one-half ownership of the Home, or upon Homeowner’s death Homeowner’s spouse does not completely own the Home, unless spouse is a full-time employee of Cal Poly Pomona.
- (iii) Occupancy rights to the Home are awarded to an ineligible former spouse or other co-owner of the Home.
- (iv) Homeowner retires (but Homeowner will be entitled to remain in the Home for one-half of the number of years Homeowner was employed with Cal Poly Pomona after retirement, up to five years).
- (v) If Homeowner is not a full time employee of California State University or one of its auxiliaries, upon the 5th anniversary of the initial purchase of the Home.

GROUND LEASE

THIS GROUND LEASE (this “Ground Lease”) is made and entered into as of _____, by and between **CAL POLY POMONA FOUNDATION, INC.**, a California nonprofit public benefit corporation (“Landowner”), and _____ (“Homeowner”), with reference to the following facts:

RECITALS

A. Landowner is the owner of certain real property located at _____, Pomona, California (the “Property”). There is an existing single-family house on the Property (the “Home”). The lot on which the Home has been constructed (the “Lot”) is described in the Legal Description attached hereto as Exhibit A.

B. Landowner, an auxiliary organization of California State Polytechnic University, Pomona (“CPP”), was created in order to serve the educational mission of CPP. Landowner provides housing assistance to faculty and staff and CPP, and seeks to strengthen the educational programs of CPP by fostering employee recruitment, retention, productivity, participation, collegiality and quality of life through the establishment of a portfolio of high quality, continually affordable residential homes near the workplace.

C. Concurrently with this Ground Lease, University Endowment Trust has conveyed fee title to the Home to Homeowner, and has conveyed fee title to the Lot to Landowner.

D. Homeowner desires to lease the Lot from the Landowner, under the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties to this Ground Lease hereby agree as follows:

1. Definitions. The following capitalized terms shall have the following meanings:

1.1 “Adjusted Rent”: Those payments payable by Homeowner in accordance with Section 4.1.2 below.

1.2 “Claims and Losses”: Any and all demands, claims, actions, causes of action, judgments, awards, damages, fines, penalties, liabilities, obligations, losses, costs and expenses, including, without limitation, attorneys’ fees.

1.3 “Commencement Date”: The date of recordation of the Ground Lease Memorandum & Deed.

1.4 “C.P.I.” shall mean the Consumer Price Index published by the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, Los Angeles-Riverside-Orange County, California (1982-84=100) “All Items.” In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department, bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation, as determined by the Lessor.

1.5 “*CPP*”: California State Polytechnic University, Pomona.

1.6 “*CPP President*”: The President of CPP.

1.7 “*CSU*”: The Trustees of the California State University.

1.8 “*Eligible Successor Homeowner*”: A Person who meets the priority criteria set forth in Exhibit G to the Ground Lease, as it may be amended or modified from time to time by Landowner.

1.9 “*Expiration Date*”: The 99th anniversary of the Commencement Date.

1.10 “*Fractional Change in the Resale Price Index*”: The positive fractional difference between the Resale Price Index:

(i) immediately before Homeowner purchased the Home and

(ii) for the calendar month immediately before Homeowner either commenced the process of selling the Home or was required to commence such process pursuant to the terms of this Ground Lease.

1.11 “*Governmental Agency*”: Any federal, state, county, local or other governmental department, bureau, division, agency or other authority.

1.12 “*Grant Deed*”: The grant deed set forth in the Ground Lease Memorandum & Deed.

1.13 “*Gross Sales Price*” means the amount to be paid to Homeowner for its fee interest in the Home, pursuant to a purchase contract.

1.14 “*Ground Lease*”: This Ground Lease between Landowner and Homeowner, as it may be amended from time to time.

1.15 “*Ground Lease Memorandum & Deed*”: The Ground Lease Memorandum, Deed to Improvements, and Declaration of Easements, substantially in the form attached hereto as Exhibit K, as described in Section 21.5 below.

1.16 “*Home*”: The housing unit and any and all other Improvements, if any, now or hereafter located on the Lot.

1.17 “*Homeowner*”: The owner of the Home and ground lessee of the Lot described in the first paragraph of this Ground Lease.

1.18 “*Homeowner Sale Notice*” means the notice to be provided from Homeowner to Landowner upon the proposed sale of the Home, as provided in Section 15.2 hereof.

1.19 “*Housing Assistance Program*”: The employee homeownership program operated by Landowner to foster CPP employee recruitment, retention, productivity, participation, collegiality and quality of life by establishing a high quality, continually affordable housing options near the workplace. The Housing Assistance Program includes any and all amendments and modifications thereto, which may from time to time be made by Landowner. The Housing

Assistance Program includes and provides for the following: sale and resale controls to assure the continuing availability and affordability of the housing to CPP-associated persons, including eligibility requirements for homeowners, a priority system and offering procedures for sales of Homes; resale price limitations and primary residency requirements, amounts of Rents charged to homeowners

1.20 “Improvements”: All buildings, structures, facilities, fixtures and other improvements located, constructed or installed on the Lot, including the Home.

1.21 “Initial Lot Value”: As defined in Section 4.1 below.

1.22 “Interest Rate”: The prevailing discount rate charged by the Federal Reserve Bank on loans to depository institutions, as said rate may be adjusted from time to time, plus one percent (1%).

1.23 “Landowner”: Cal Poly Pomona Foundation, Inc., a California nonprofit public benefit corporation, or any successor thereto.

1.24 “Law” or “Laws”: All applicable federal, state, county and local laws, including statutes, regulations, rules and ordinances, and all applicable requirements and orders of any Governmental Agencies.

1.25 “Lender”: Any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, CSU or other lending institution of substance (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation or other similar institutional secondary market mortgage purchaser) that performs functions similar to any of the foregoing, which makes or is the assignee of a loan secured by a Permitted Encumbrance on all or any portion of the Lot and the Improvements to Homeowner and, in the case of financing provided by a previous Homeowner and with the consent of Landowner, shall include such previous Homeowner.

1.26 “Lot”: The real property legally described in Exhibit A attached to this Ground Lease.

1.27 “Lot Value”: As defined in Section 4.1 below.

1.28 “Maximum Resale Price”: The maximum permitted price for the assignment of the Ground Lease and resale of the Home as determined pursuant to Section 15.4.2.

1.29 “Monthly Rent”: Those payments payable by Homeowner in accordance with Section 4.1.1 below.

1.30 “Permitted Encumbrance”: As defined in Section 18.2.1 below.

1.31 “Person”: A natural person, corporation, business trust, estate, trust, partnership, limited liability company, limited liability partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.32 “Property”: The combined Lot and House.

1.33 “Purchase Option”: Landowner’s option to acquire the Home, as defined in Section 15.2 below.

1.34 “Qualified Appraiser”: An appraiser who is an independent real-property appraiser having substantial experience in the appraisal of residential real property comparable to the Lot, the Parcels and the housing units located thereon in the County of Los Angeles, State of California, and who is a member of a professional organization such as the American Institute of Appraisers or the Society of Industrial Real Estate Appraisers or other professional equivalent.

1.35 “Qualified Capital Improvements”: Those improvements made by Homeowner to the Home after the closing of Homeowner’s purchase of the Home, which Improvements add to or enlarge the Home and remain with the Home upon resale, are cumulatively valued at not less than \$1,000 (as annually adjusted by the increase in the *CPI-LA* since the date of this Lease), and do not exceed the limitations set forth in Sections 15.4.2.3 and 15.4.3 below. Improvements made for the purpose of maintenance, repair or replacement and Improvements paid for with the proceeds of insurance, condemnation awards or recoveries of damages shall not be Qualified Capital Improvements. The general categories of Improvements that qualify as Qualified Capital Improvements are subject to Landowner’s approval. A list of examples of the categories of Improvements that have been approved by Landowner as Qualified Capital Improvements is attached hereto as Exhibit B. Landowner shall have the right to modify prospectively the list of Qualified Capital Improvements at any time and from time to time. A current list of Qualified Capital Improvements and the procedures for requesting the addition of categories of Improvements to such list shall be maintained and made available for review by Homeowner in the office of Landowner located at the address specified in Section 21.4 or such other office as Landowner may from time to time designate.

1.36 “Reassignment Option”: As defined in Section 16.1 below.

1.37 “Reassignment Option Event”: As defined in Section 16.1 below.

1.38 “Reassignment Option Event Exercise Period”: As defined in Section 16.3 below.

1.39 “Regulations”: The Property Use and Maintenance Regulations attached hereto as Exhibit H, as the same may be modified, amended or replaced by Landowner from time to time.

1.40 “Relocation Laws”: The California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the “Guidelines” in implementation thereof set forth in 25 California Code of Regulations Section 6000, *et seq.*

1.41 “Rent Payments”: Collectively, the Monthly Rent and Adjusted Rent.

1.42 “Successor Homeowner”: Any purchaser of the interest in the Home in accordance with the terms of the Ground Lease.

1.43 “University Endowment Trust” means University Endowment Trust, the seller of the Home.

1.44 “Year”: Each twelve (12) calendar month period during the term of this Ground Lease commencing on the Commencement Date or an annual anniversary date thereof.

2. Ground Lease. Landowner hereby leases the Lot to Homeowner, and Homeowner hereby leases the Lot from Landowner, together with all rights and privileges pertaining to the Lot upon the terms and subject to the conditions set forth in this Ground Lease. A summary of the basic terms of this Ground Lease is attached hereto, but in the event of any conflict between such summary and the terms and conditions of this Ground Lease, the terms and conditions set forth in this Ground Lease shall prevail. This Ground Lease is not a lease of the Home or other improvements located on the Lot, which Homeowner will separately acquire in fee simple from University Endowment Trust pursuant to the purchase agreement which is attached hereto as Exhibit C and incorporated herein.

3. Term. The term of this Ground Lease shall commence on the Commencement Date and end on the Expiration Date, subject, however, to earlier termination as provided herein and subject to the provisions of Section 15 below.

4. Ground Rent. As consideration under this Ground Lease, Homeowner shall make payments to Landowner for the exclusive use of the Lot (the "Rent"), as further described below.

4.1 Basic Rent. In consideration of leasing of the Land, Homeowner shall pay to Lessor a rental amount ("Basic Rent") as provided in Exhibit I of this Lease. The Basic Rent shall be revised periodically during the Term hereof, based upon the terms set forth in Exhibit B. Unless otherwise agreed to by Lessor, rental payments shall be made monthly and shall be due on the first day of each month. Payments for partial months shall be prorated. Lessor shall have the right to require that monthly Basic Rent payments be made via payroll deduction or automatic bank-account transfer.

4.2 Additional Rent. Homeowner shall pay to Lessor as "Additional Rent" (i) any costs of collection related to any past due Basic Rent or Additional Rent, and (ii) any reasonable costs incurred by Lessor in connection with the exercise of Lessor's right of abatement of any nuisance or violation of the Lease in connection with the Homeowner or Homeowner's leasehold interest in the Land. Additional Rent shall be due and paid within fifteen (15) days of notice thereof to the Homeowner.

4.3 No Offset. All Monthly Rents and Adjusted Rents required to be paid under this Ground Lease shall be paid without offset or setoff of any kind.

4.4 Partial Months. All Monthly Rents and Adjusted Rents due for any partial month during the term shall be prorated based upon the actual number of days elapsed.

4.5 Code of Civil Procedure. The Monthly Rents and Adjusted Rents all constitute "rent" payable pursuant to this Ground Lease for the purposes of California Code of Civil Procedure Section 1161.

5. Title.

5.1 Identification of Liens. Landowner represents and warrants that Landowner's leasehold interest in the Lot is free and clear of any senior lien, charge, encumbrance, or claim except as may be referred to and described in this Ground Lease, and shall so remain throughout the term of this Ground Lease.

5.2 Non-Disturbance. Landowner covenants to Homeowner that, at all times during the term of this Ground Lease and so long as Homeowner is not in default under the terms of this Ground Lease, Homeowner shall hold, occupy, and enjoy the Lot without disturbance or

hindrance by Landowner or by any other person claiming under or by right of Landowner. Landowner agrees to protect the rights of Homeowner from being disturbed by any foreclosure by any senior lienholder on the Lot by either (i) causing such lien to be subordinated to the rights of Homeowner under this Ground Lease, or (ii) by causing the lienholder to execute and deliver to Homeowner on or before the Commencement Date a non-disturbance and attornment agreement.

6. Ownership of Home and Improvements. The Home and all Improvements made, constructed, renovated, improved or located on the Lot following the effective date of this Ground Lease shall be the property of Homeowner during the term of this Ground Lease. Upon expiration or termination of this Ground Lease without a new Ground Lease being entered into by a Successor Homeowner as provided in Section 15 below, title to and ownership of the Home and all Improvements shall automatically vest in Landowner; provided that title and ownership of the personal property in the Home shall be subject to the provisions of Section 19.5.2 below regarding Homeowner's right to remove such property.

7. Use.

7.1 Principal Residence Only. Except as otherwise specifically set forth in this Ground Lease, Homeowner shall reside on the Lot and use the Lot and Home only as the principal place of residence of Homeowner. Landowner may require Homeowner to deliver and cooperate with Landowner in obtaining such information as may be reasonably necessary to determine compliance with the provisions of this Section, and Homeowner hereby authorizes Landowner to obtain whatever information may be required from third parties for Landowner to help make such determination. Landowner agrees to utilize any such information so obtained only for such purpose and, if applicable, for implementing Landowner's rights under this Section. The breach by Homeowner of the principal residence requirement under this Section shall constitute an event of default under this Ground Lease, whereupon, in addition to Landowner's rights pursuant to Section 19, Landowner shall have the option, but not the obligation, to require Homeowner to assign the Ground Lease and sell the Home to Landowner or its assignee on the same terms and conditions as specified in Section 16.

7.2 Exceptions.

7.2.1 Demolition. Subject to Section 14 below, if Homeowner, with the consent of Landowner, and in accordance with the requirements of the Regulations, demolishes the Home, or if the Home is damaged or destroyed by an act of God or other casualty, or if the Home is partially or temporarily taken by eminent domain, the principal residence requirement of Section 7.1 shall not be applicable until such time as a new housing unit is constructed on the Lot, provided that, if, under the terms of the Ground Lease and the Regulations, Homeowner (rather than Landowner) is obligated to rebuild the Home, such Home shall be under ongoing construction within six (6) months of the date on which demolition, damage or taking of the Home commenced or occurred.

7.2.2 Permitted Rentals. Notwithstanding the provisions of Section 7.1, Homeowner shall be permitted to rent the Home, provided that (i) said rental is only made to an Eligible Successor Homeowner; (ii) Homeowner complies with the priority system in the Program prior to leasing the Home to a member of the general public, and (iii) said rental is on a short-term basis (i.e., for a period not to exceed two (2) years), such as when Homeowner is away from the CPP campus on a sabbatical or has terminated his or her employment with CSU but has been unable to sell the Home, despite reasonable efforts to do so. Landowner shall have the right to promulgate reasonable regulations governing such rentals.

7.2.3 Lenders. Nothing contained in Section 7.1 shall prohibit the holding of an interest in the Lot by a Lender following a foreclosure or a transfer to a Lender by a deed-in-lieu of foreclosure of the Home, provided that the rental offering restrictions hereunder shall apply to such transferee.

7.3 Nuisance. Homeowner shall not use or permit any other Person to use the Lot or the Home or other Improvements, or any part thereof, in any way that constitutes a nuisance.

7.4 Compliance with Regulations, CC&Rs and Laws. Homeowner shall conform to, and cause any Person using or occupying the Lot or Home by license or invitation of Homeowner, to comply with the Regulations, and condition, restrictions or homeowner association rules applicable to the Property (“CC&Rs”), and with all other applicable public laws, ordinances, and regulations. Homeowner agrees to indemnify, defend and hold harmless Landowner and CPP from any penalty, damages, or charge imposed for any violation of the Regulations or CC&Rs, or of any law, ordinance, or other regulation applicable to the use and occupancy of the Lot or Home occasioned by the negligent or willful act or omission of Homeowner or by any Person present on the Lot or Home by license or invitation of Homeowner. Notwithstanding anything to the contrary in this Ground Lease, Homeowner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to Landowner or CPP, the validity or application of any present or future public law, ordinance, or regulation that restricts the use of the Lot or Home or that requires Homeowner to repair, maintain, alter, or replace the Improvements, provided that Homeowner shall not have the right to contest the validity or application of the Regulations. Homeowner shall not be in default under this Ground Lease for failing to commence repairs, maintenance, alterations, or replacements until a reasonable time following the final judgment and conclusion of appeals in any such administrative or judicial proceeding, provided that Homeowner shall protect Landowner, CPP, and the Lot and Home from any lien by adequate surety bond or other appropriate security. Homeowner’s right to contest shall be exercised in such a manner as to avoid any exposure of the Lot, the Home or other Improvements to foreclosure or execution sale.

8. Taxes and Assessments.

8.1 Homeowner Responsible. The parties acknowledge that the Home and/or Homeowner’s possessory interest in the Lot may each or both be subject to the payment of possessory interest taxes, as well as other taxes and assessments which may be imposed by a Governmental Agency. In such event, Homeowner shall have sole responsibility for paying or assuring the payment of such taxes and assessments. Any such tax or assessment may be paid in installments when so allowed by the taxing or assessing Governmental Agency. The Home and/or Homeowner’s possessory interest in the Lot may also be subject to the payment of homeowner’s association dues or fees pursuant to the CC&Rs. Landowner and Homeowner acknowledge and agree that nothing in this Article 8 is intended to permit the imposition or shall be interpreted to permit the imposition upon Landowner of liability for any taxes or fees by any Governmental Agency.

8.2 Indemnity. Homeowner agrees to defend, indemnify and hold harmless Landowner from and against any tax or assessment required to be paid pursuant to Section 8.1. Subject to the provisions of Section 8.3, Homeowner further agrees to prevent any such tax or assessment from becoming a delinquency lien upon the Lot or the Home or other Improvements. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, Landowner shall have the right but not the obligation to pay such tax or assessment. In the event that Landowner makes any such payment, the amount of the payment shall be immediately due and

payable to the payor by Homeowner and shall bear interest pending payment by Homeowner at an annual rate equal to the Interest Rate.

8.3 Right to Contest. Homeowner shall have the right, at Homeowner's cost and expense, to refuse to pay and to contest the amount or validity of any tax or assessment by an appropriate proceeding diligently conducted in good faith; provided, however, that Homeowner's right to contest shall be exercised in such a manner so as to avoid any exposure of the Lot, the Home or any Improvements to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, Landowner shall not have the right to pay, remove or discharge any tax or assessment thereby contested, provided that Homeowner shall protect Landowner and the Lot, the Home and other Improvements from any lien by adequate surety bond or other security deemed appropriate by Landowner.

8.4 Taxes Excluded. Homeowner's obligation to pay taxes and assessments levied and assessed against the Lot or the Home shall exclude, without limitation, the following taxes and charges, however denominated: business, documentary transfer taxes (except and unless charged in connection with a transfer of the Home), income, or profits taxes levied or assessed against Landowner by any Governmental Agency.

9. Insurance.

9.1 Property Insurance.

9.1.1 Homeowner Responsible. Except as provided in Section 9.1.2 below, Homeowner, at Homeowner's sole cost and expense, shall keep the Home and all other Improvements at all times during the term of this Ground Lease (including any period of time during which the Home is in the process of being improved or remodeled) covered against Claims and Losses by "all risk" property insurance coverage which may, at Homeowner's option (unless otherwise required by Landowner), exclude earthquake coverage. Such insurance shall be in an amount not less than one hundred percent (100%) of the full insurable replacement value of the Home and other Improvements, less a deductible amount which is reasonably acceptable to Landowner, provided that such insurance is ordinarily and customarily available.

9.1.2 Landowner Option. Landowner may elect, but shall not be obligated to so elect, to obtain blanket insurance coverage comparable to that required by Section 9.1.1 insuring the Home. If Landowner elects to obtain such insurance:

9.1.2.1 Homeowner shall not separately insure the Home or the Improvements against any loss or casualty covered by any insurance carried by Landowner or any nonprofit corporation or unincorporated association established or selected by Landowner pursuant to Section 9.1.2.2. If Homeowner violates this provision, any diminution in insurance proceeds otherwise payable under policies obtained by Landowner or such nonprofit corporation or unincorporated association that results from the existence of such other insurance shall be chargeable to Homeowner. Notwithstanding the foregoing, Homeowner may insure his or her personal property against loss. In addition, any improvements made by Homeowner within the Home may be separately insured by Homeowner, but the insurance shall be limited to the type and nature of coverage commonly known as "tenant's improvements." All such insurance that is carried by Homeowner must contain a waiver of subrogation rights by the insurer as to homeowners of other housing units or Landowner.

9.2 Liability Insurance. Homeowner shall, at Homeowner's sole cost and expense, purchase and maintain at all times during the term of this Ground Lease, comprehensive personal general liability insurance insuring against bodily injury, death and damage to property occurring on or from the Lot and the Home and other Improvements. The coverage required shall not exceed that generally required in Los Angeles County, California by mortgagees of property of comparable value to the Lot and the Home and other Improvements.

9.3 Insurer Requirements. All insurance provided for in this Section 9 shall be effected under valid and enforceable policies issued by insurers licensed to conduct business in the State of California. To the extent ordinarily and customarily available, all insurance required by Sections 9.1 or 9.2 shall name Landowner as an additional insured and shall contain a waiver of subrogation rights by the insurer as to Landowner. Any deductible amount in such policies shall be reasonably acceptable to Landowner. A certificate of each insurance policy shall be provided to Landowner on the Commencement Date and upon the renewal of each policy.

10. Condition of Lot; Maintenance.

10.1 As-Is Condition. Homeowner hereby accepts the Lot "AS IS" and acknowledges that the Lot is in satisfactory condition. Landowner makes no representation or warranty regarding the suitability of the Lot for Homeowner's use, except as provided in the Home Purchase Contract for Homeowner's purchase of the Home. Landowner shall not be responsible for any soil subsidence, slippage, or instability, or any claims or losses resulting therefrom.

10.2 Homeowner's Maintenance Obligations. Homeowner shall be responsible for all maintenance of the Home and Lot, including without limitation, all exterior surfaces, roof, walls, doors and windows, the interior of the Home (including garage, garage door & opener, plumbing, electric, heating-ventilation-air conditioning systems, etc.), windows, landscaping, slopes, side and backyard fences and walls, driveways, and lateral lines for water, sewer and utility services (if and to the extent any of the foregoing items exist on the Lot).

10.3 Drainage. Any modification to the established drainage patterns or devices on the Lot may cause significant and permanent damage to the Home. With respect to improvements being installed by on or on behalf of Homeowner, such as walkways, landscaping, patios, decks, planters, etc., it is Homeowner's sole responsibility to take precautions, which may include consulting with appropriate professionals, to ensure that such improvements are designed and constructed by competent, licensed professionals in a manner so as not to alter the drainage on the Lot. Homeowner hereby agrees to indemnify, defend and hold harmless Landowner for damages or expenses incurred as a result of any such alterations of drainage patterns.

11. Exculpation and General Indemnification of Landowner.

11.1 Exculpation. This Ground Lease is made on the express condition that Landowner shall be free from all Claims and Losses by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether on the Lot, or in any way connected with the Lot or with the Improvements or personal property on the Lot, including any liability for injury or death to the person or damage to or loss of property of Homeowner or his or her agents, officers, servants, or employees, except to the extent that said injury or damage is caused by the willful or negligent act or omission of Landowner.

11.2 Indemnity. Homeowner agrees to indemnify, defend and hold harmless Landowner, CPP and their officers, employees, and agents from any and all Claims and Losses on

account of, or arising out of the matters described in Section 11.1 above. As among the parties described in this Section 11.2, and except as expressly limited by Section 11.1, Homeowner shall assume all risks of injury or death of any person or damage to or loss of any property of Homeowner and any property under the control or custody of Homeowner while upon the Lot.

11.3 Waiver of Relocation Rights. Homeowner knowingly and voluntarily waives and releases any and all of its rights to or eligibility for relocation assistance and benefits or any other compensation from Landowner, CPP or any other Governmental Agency, if any, that may be afforded to Homeowner under the Relocation Laws or other applicable laws, to which Homeowner may be entitled as a result of Homeowner's obligations under Section 15 below to offer to sell the Home to Landowner upon the occurrence of certain events. Homeowner acknowledges that it is a "post-acquisition tenant" pursuant to 25 California Code of Regulations Section 6034(b), and as such is not entitled to benefits under the Relocation Laws. Homeowner hereby acknowledges it has been fully advised of its rights under the Relocation Laws, and nevertheless fully releases and waives any other rights or further assistance and/or benefits that may be available or due to it from Landowner, CPP or any other Governmental Agency under the Relocation Laws or any other applicable laws, or arising out of or related in any respect to obligation of Homeowner to sell the Home to Landowner. Homeowner acknowledges that it has been advised concerning the content and meaning or and understands and is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Homeowner hereby expressly waives and relinquishes any and all rights which Homeowner, or those that are acting on Homeowner's behalf, may have under California Civil Code Section 1542, or under any statute or common law or equitable principle of similar effect.

12. Liens and Encumbrances.

12.1 Covenant and Indemnity. Subject to the provisions of Sections 8.3 and 18.2, Homeowner hereby covenants to keep the Lot, the Home and the Improvements free and clear of any and all liens or encumbrances created by Homeowner's acts or omissions or created by the performance of any labor for or the furnishing of any materials, supplies, or equipment to Homeowner. Homeowner further agrees to indemnify, defend and hold harmless Landowner from and against any such Claims and Losses in connection therewith.

12.2 Notices. Homeowner agrees to provide Landowner written notice of any work of improvement (as defined in Section 3106 of the California Civil Code) at least twenty (20) days before beginning the work of improvement and to permit Landowner to post on the Lot or Improvements a notice of nonresponsibility pursuant to Sections 3094 and 3129 of the California Civil Code while the work of improvement is in progress. Should any lien be recorded against the Lot or the Improvements which purports to be a lien against the interests of Landowner, Homeowner agrees to purchase and record, at Homeowner's sole cost and expense, a bond in an amount which is not less than 150% of the claim of lien and which is adequate to remove the purported lien against the interests of Landowner.

13. Destruction and Restoration. If, during the term of this Ground Lease, the Home or the other Improvements are wholly or partially destroyed, such destruction shall not terminate this Ground Lease, provided that the insurance proceeds received by Landowner or Homeowner plus the amount of the applicable deductible are sufficient to rebuild the Home. In such event, a Lender may require that insurance proceeds and the deductible payable by Homeowner shall be paid to the Lender or an insurance trustee to be utilized for the work of restoration of the Home, as the Lender provides in writing. Subject to the rights of a Lender, if insurance proceeds are payable to Homeowner, Homeowner shall assign such proceeds to Landowner or its designee and deliver to Landowner or its designee the amount of any deductible, and Landowner or its designee shall promptly undertake restoration of the Improvements. In the event of any damage or destruction to the Home that is not covered by insurance to the extent of more than \$25,000, Homeowner shall have the right either to rebuild at its sole cost, or to terminate this Ground Lease pursuant to Section 19, subject only to the obligation to remove any debris and foundations by the date of termination. If any uninsured damage or loss occurs to the Home which costs less than \$25,000 (not reimbursable by insurance) to remedy, Homeowner shall do so at its sole cost within one-hundred twenty (120) days after such loss or damage occurs.

14. Improvements on the Lot.

14.1 Plans and Specifications.

14.1.1 Required Submissions. Prior to the commencement of any construction or renovation on the Lot by Homeowner (i) affecting the outward appearance of the Lot, the Home or any Improvement, or (ii) affecting the structural integrity of the Home or any Improvement, Homeowner shall submit to Landowner plans and specifications for such construction or renovation and shall make all additional submittals to Landowner or otherwise as required by the Regulations. Such plans and specifications shall be in such detail and prepared in such manner as prescribed in the Regulations and as may reasonably be required to permit Landowner to make an informed judgment as to the overall design and manner of construction of the proposed construction or renovation. Landowner shall approve or disapprove such plans within ten working days of receipt of such plans. No such construction or renovation shall be undertaken by Homeowner without Landowner's approval of the plans and specifications and such other approvals as may be required by the Regulations, the CC&Rs and Governmental Agencies, and all construction shall be in compliance with such approvals, the CC&Rs and applicable laws and codes.

14.1.2 No Liability of Landowner. It is expressly understood and agreed that Landowner's review or approval of plans and specifications as required by this Section 14.1 or the Regulations shall not make Landowner or its individual representatives or members responsible or liable to Homeowner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given.

14.1.3 Change Orders. Landowner acknowledges that it is common practice in the construction industry to make changes in designs contained in plans and specifications during the course of construction. Accordingly, Landowner agrees that changes that do not substantially alter plans and specifications previously approved by Landowner do not have to be submitted to Landowner for separate approval, but Homeowner shall submit to the Landowner copies of all changes (as-builts) which show such changes.

14.2 No Demolition. Homeowner shall not demolish or remove any structure on the Lot without the express written consent of Landowner, to the extent required by the Regulations,

and such consent shall be requested and rendered or recommended in accordance with the requirements of the Regulations. It is expressly understood that such consent shall be entirely within Landowner's discretion to grant or to withhold, subject to the appeal rights as set forth in the Regulations. Any consent by Landowner with respect to such a request may be conditioned upon a requirement that Homeowner immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 14.1 and shall be otherwise consistent with the terms of this Ground Lease. Notwithstanding the foregoing, in no event shall all or any portion of a Home be severed or removed from the Lot without the express written consent of Landowner.

14.3 Provision of Utility Services. Homeowner agrees to pay standard charges for each connection of the Home to utility lines and for all utility services used by Homeowner. Landowner shall not be responsible for any fees or charges for utility services or equipment provided to the Lot.

15. Resale.

15.1 Right to Sell. Homeowner may sell and convey the Home to any qualified buyer,

(i) subject to:

(a) Landowner's rights and options described in Section 15.2, and

(b) Landowner's right to require the termination of this Ground Lease and purchase of the Home upon the occurrence of a Reassignment Option Event pursuant to Section 16;

(ii) provided that the principal residence requirement set forth in Section 7.1, the resale price restrictions set forth in Section 15.4, and the priority system requirements of Exhibit G attached hereto are satisfied, and such other rules and procedures as may be specified by Landowner; and

(iii) provided that prior to or concurrently with said assignment all Monthly Rents and Adjusted Rents payable under this Ground Lease and all transfer and processing fees under Section 15.5 are paid in full to Landowner.

Exhibit G describes the eligibility and priority system and procedures for Homeowner's sale of the Home, current as of the date of this Ground Lease. Such system and procedures are subject to modification at any time by Landowner, and, in addition, Landowner may promulgate and distribute regulations, from time to time, to implement the eligibility and priority system and procedures, which regulations will be binding on Homeowner; provided, however, that no such regulations shall extend the total of any required offering periods, when combined with Landowner's Purchase Option in Section 15.2 below, to a period in excess of ninety (90) days.

At each step in the offering process described in this Section 15.1 and Exhibit G, Homeowner's interest in the Home must be offered to a purchaser for sale on terms and conditions which are, in all material respects, no more favorable than the terms and conditions offered to higher priority purchasers. Further, Homeowner's offer to sell his or her interest in the

Home must not be conditioned in any manner on the purchase, lease, or rental of any other real or personal property in which Homeowner has an interest.

15.2 Landowner Right To Purchase Upon Offering For Sale.

15.2.1 Homeowner Sale Notice. Subject to Section 18, prior to Homeowner's sale of the Home, Homeowner shall notify Landowner in writing ("Homeowner Sale Notice") of said proposed sale and Homeowner's proposed listing price. Such notice shall be in the form attached hereto as Exhibit K, or such other form which is provided by Landowner to Homeowner (the "Homeowner Sale Notice"). For a period of ninety (90) days following receipt of the Homeowner Sale Notice (the "Option Exercise Period"), Landowner shall have the right and option, but not the obligation, to require Homeowner to sell the Home to Landowner at the price determined pursuant to Section 15.2.2 below (the "Purchase Option"). Landowner's rights to exercise the option under this Section may be assigned by Landowner to any Eligible Successor Homeowner in accordance with the priority system and assignment and offering procedures for subsequent transfers set forth in Exhibit G to the Ground Lease.

15.2.2 Exercise of Purchase Option. Landowner's Purchase Option shall be exercisable by the delivery to Homeowner of written notice within the Option Exercise Period. If Landowner or its assignee exercises Landowner's Purchase Option during the Option Exercise Period, the purchase price for the sale to Landowner or its assignee shall be the lowest of the following:

- (iv) the purchase price listed by Homeowner in the Homeowner Sale Notice,
- (v) the Maximum Resale Price for the Home, or
- (vi) the appraised value of the Home (determined pursuant to the appraisal process described in Section 15.4.3, except that the appraisal shall apply to the Home as a whole, including, without limitation, any and all Qualified Capital Improvements made to the Home, and shall exclude the value of the Lot and the related infrastructure), and presale fix-up expenses (up to 5% of the indexed purchase price of the Home) supported by receipts and proof of payment.

If Landowner exercises the Purchase Option, the closing of said sale shall occur within sixty (60) days following the date that the Landowner exercises the Purchase Option.

15.2.3 Non-Exercise of Purchase Option. In the event that Landowner or any assignee of Landowner does not exercise Landowner's Purchase Option within the Option Exercise Period, Homeowner shall have the right to sell the Home to any qualified buyer (which qualified buyer may be either an Eligible Successor Homeowner or a member of the general public which is not an Eligible Successor Homeowner in accordance the Exhibit G priority system) in accordance with and subject to Section 15.1.

15.3 Notices; Effect of Transfer Upon Ground Lease.

15.3.1 Notice of Transfer. As a condition precedent to Homeowner's sale of any interest in the Home, no later than fifteen (15) days after execution of a purchase agreement for the sale of the Home and not later than fifteen (15) days prior to the closing of any such sale,

Homeowner shall notify Landowner of the proposed sale through submission of the Homeowner Sale Notice. The Homeowner Sale Notice shall certify that Homeowner has complied with the assignment and resale restrictions and requirements in this Section 15 and shall identify the proposed Successor Homeowner and describe his or her eligibility and priority status pursuant to Exhibit G. Landowner may from time to time provide a form of Homeowner Sale Notice and specify other information that must be included in such notice. Landowner shall have fifteen (15) days following receipt of the Homeowner Sale Notice during which Landowner may investigate and, as appropriate, challenge the representations set forth in such certification. In the event of any such challenge by Landowner, Landowner may notify the escrow holder of such challenge, and the closing shall not proceed until such time as Landowner is reasonably satisfied that Homeowner has complied with the requirements and restrictions of this Section 15 and has given notice to the escrow holder to proceed with the close of escrow.

15.3.2 Notice of Sale Price. No later than fifteen (15) days after execution of a purchase agreement for the sale of the Home and not later than fifteen (15) days prior to the closing of any such sale pursuant to Section 15.1, Homeowner and Successor Homeowner shall notify Landowner of the proposed sale price, which shall be certified by Landowner upon presentation of adequate documentation (in such form as Landowner may prescribe) by Homeowner and Successor Homeowner. Landowner's certification shall establish compliance with the resale price limitations contained in Section 15.4. Payment of all Rent Payments due to Landowner from Homeowner shall be prorated and collected through escrow prior to the transfer.

15.3.3 Termination of Existing Ground Lease; Execution of New Ground Lease. In connection with any resale, Homeowner and Landowner shall execute a termination of this Ground Lease, which termination shall become effective concurrently with the sale of the Home to the purchaser. In addition, the purchaser of the Home shall enter into a new Ground Lease directly with Landowner, which Ground Lease shall commence as of the date of the purchaser's acquisition of the Home. Each new Ground Lease executed pursuant to this Section shall be written on Landowner's then-current form of Ground Lease, which may include such terms and conditions as Landowner determines in its sole discretion, and shall provide (i) for a term equal to the then-remaining term under the prior Ground Lease or such longer term as determined by Landowner, in its sole and absolute discretion, and (ii) the payment by the Successor Homeowner of the applicable amount of Rents determined to be payable by the Successor Homeowner in accordance with the provisions of the Program. Following the effective date of the termination of this Ground Lease by Homeowner and execution of a new Ground Lease by the Successor Homeowner, Homeowner shall have no further interest in the Lot by virtue of the Ground Lease.

15.3.4 Limitations on Assignment. Except as otherwise permitted under Section 7.2.2, or in the event of the grant of a deed in lieu of foreclosure, Homeowner shall not grant, assign, sublease or otherwise transfer any of his or her rights under this Ground Lease other than in conformity with the provisions of this Section 15. Any such grant, assignment, sublease or other transfer shall be a default under this Ground Lease and shall be void and of no force and effect, and Homeowner shall continue to be liable under this Ground Lease for all performance required hereunder including, without limitation, the payment of Rent Payments.

15.3.5 Landowner Investigation. Landowner may, at any time and from time to time, conduct such investigations and require Homeowner or any successor in interest to Homeowner to provide such information as Landowner reasonably may request to determine compliance with the resale limitations described in this Section 15. In the event that Landowner determines that Homeowner or any successor in interest to Homeowner is in violation of the

assignment and resale limitations described in this Section 15 the transfer shall be void, and Homeowner shall pay all of Landowner's investigative and legal costs relating to such discovery and the enforcement of the provisions of this Section 15. Landowner shall have the option to require the assignment of such Person's interest in the Lot under this Ground Lease and purchase the Home on the same terms and conditions as are specified in Section 16.

15.4 Resale Price Limitations.

15.4.1 General. To assure that the Home shall continue to remain affordable to persons listed on the priority list set forth in Exhibit G, resale price limitations shall be imposed on each resale transaction involving the Home. To accomplish this purpose, except as provided in Section 18, Homeowner may not sell the Home together with any other Improvements at a price greater than the Maximum Resale Price.

15.4.2 Maximum Resale Price. The "Maximum Resale Price" for the sale of the Home together with any other Improvements shall mean the sum of the following, less the cost to repair any damage to the Home (excluding any damage to any Qualified Capital Improvements made by Homeowner and accounted for in the appraisal of the Qualified Capital Improvements):

15.4.2.1 The purchase price Homeowner paid for the Home;

15.4.2.2 The purchase price Homeowner paid for the Home multiplied by the Fractional Change in the Consumer Price Index; plus

15.4.2.3 The appraised value (determined by the appraisal process described in Section 15.4.3 below) of each Qualified Capital Improvement made by Homeowner to the Home; and

15.4.2.4 The reasonable out-of-pocket costs (approved by Landowner) of incidental repairs and minor renovations made to the Home within ninety (90) days prior to the delivery of the notice of intent to sell to Landowner in order to improve the marketability of the Home, not to exceed five percent (5%) of the sum of the indexed original purchase price (i.e., the sum of the amounts derived from subsections 15.4.1 and 15.4.2). Homeowner shall be required to deliver to Landowner written documentation satisfactory to Landowner to evidence said costs.

Payment of broker's commissions or other costs of sale, if any, shall not affect the Maximum Resale Price.

15.4.3 Appraisal Procedures. The appraised value of the home or the Qualified Capital Improvements shall be determined as follows:

15.4.3.1 Not more than thirty (30) days prior to the commencement of the process of selling the Home, Homeowner shall notify Landowner of the proposed sale and the Qualified Capital Improvements Homeowner desires to have included in the Maximum Resale Price.

15.4.3.2 Homeowner shall then select and hire at its own expense a Qualified Appraiser from a list of Qualified Appraisers supplied by Landowner, to perform an appraisal to establish the value of the Home. A copy of such appraisal shall be sent to the Landowner by the appraiser. The cost of such appraisal (provided it is reasonable within current industry standards) shall be added to the Maximum Resale Price. Homeowner may request that

Landowner review the qualifications and experience of appraiser(s) not on such list and add such appraisers to the list as Landowner deems appropriate. Whether any particular appraiser is added to the list shall be determined by Landowner in its sole and absolute discretion.

15.4.3.3 The appraised value determined by the Qualified Appraiser shall apply, unless Homeowner notifies Landowner, within five (5) days after the receipt of the appraisal, that the appraisal is unsatisfactory.

15.4.3.4 If Homeowner notifies Landowner that the appraisal is unsatisfactory, then Homeowner may choose another Qualified Appraiser. In the event additional time is required for a subsequent appraisal, the Landowner's time to exercise the option shall be extended on a day-for-day basis until the subsequent appraisal has been delivered.

15.4.3.5 If the amount of the appraised value determined by the second Qualified Appraiser differs by less than twenty-five percent (25%) of the amount of the appraised value determined by the first appraisal, whether higher or lower, the average of the two appraisals shall apply. If the amount of the second appraisal is higher than the amount of the first appraisal, Landowner shall pay the cost of the second appraisal; and if the second appraisal is lower than the amount of the first appraisal, Homeowner shall pay the cost of the second appraisal. If the amount of the second appraisal differs by twenty-five percent (25%) or more of the amount of the first appraisal, whether higher or lower, Landowner shall pay for a third appraisal and the mean of the three appraisals shall apply.

15.4.3.6 The remaining depreciated value of any Improvement replaced by a Qualified Capital Improvement shall be deducted from the appraised value of the Qualified Capital Improvements.

15.4.3.7 In no event, however, shall the appraised value of the Qualified Capital Improvements exceed twenty-five percent (25%) of the purchase price Homeowner paid for the Home, as adjusted by *CPI-LA*.

15.4.4 Landowner Regulations. Landowner shall have the right to promulgate regulations to implement the provisions of this Section 15.4 regarding the Maximum Resale Price, which regulations shall be binding on Homeowner.

15.5 Fees. A transfer by Homeowner pursuant to Section 15 shall be effective only if, at the time of such transfer, Homeowner shall, through the escrow established for the sale:

(i) pay to Landowner any and all assessments due and owing which may have been imposed pursuant to this Ground Lease or, if any such assessment has been imposed but is not yet due and owing, pay the prorated portion that is attributable to the portion of the Year during which Homeowner held an interest in the Lot;

(ii) reimburse Landowner with respect to any reasonable costs incurred by Landowner in the exercise of its right of abatement as provided in the Regulations;

(iii) pay Landowner a Ground Lease transfer fee in such amount as Landowner may determine is reasonable, not to exceed one percent (1%) of the Gross Sales Price;

(iv) if Landowner has acted as sales facilitator on the sale transaction by locating the buyer for the Home and preparing the sales contract and related documents, pay to Landowner a sales facilitation fee in such amount as Landowner may determine is reasonable, but not to exceed five percent (5%) of the gross sales proceeds; and

(v) repay to Landowner (with interest, if any) the full amount of any loans made by Landowner to Homeowner in connection with Homeowner's occupancy of such improvements.

15.6 Transfers to Trusts. Notwithstanding anything to the contrary in this Ground Lease, so long as Homeowner is using the Home as Homeowner's principal place of residence and is otherwise in compliance with this Lease, Homeowner shall be permitted to assign his or her interest under this Ground Lease and to transfer the Home to:

- (i) a trust created in connection with Homeowner's estate planning, provided that the beneficial ownership of the Home does not change,
- (ii) Homeowner's spouse and/or linear descendants, so long as Homeowner retains a life estate and exclusive rights to occupancy of the Home,
- (iii) joint tenancy with Homeowner's spouse and/or linear descendants, so long as Homeowner has exclusive rights to occupancy of the Home for life, or
- (iv) co-tenancy with Homeowner's spouse so long as Homeowner retains at least a 50% interest and the exclusive right of occupancy for life.

Any assignment and sale to an estate-planning trust pursuant to this Section shall not be subject to Landowner's Purchase Option described in Section 15.2. The preceding exemption shall not extend to any distributions from or transfers of rights or interests in such trust upon the death of the original Homeowner, at which time Section 15.2 shall apply.

15.7 Runs With Land. The requirements of this Section 15 are intended to run with the land.

16. Landowner's Option to Purchase Upon Occurrence of Reassignment Option Event.

16.1 Reassignment Option Event.

16.1.1 Defined. A "Reassignment Option Event" with respect to Homeowner shall mean any of the events described in Section 1 of Exhibit E attached hereto. Landowner shall have the right, in its sole and absolute discretion, to modify the Reassignment Option Events; provided, however, that any said modification shall not materially and adversely affect the rights of Homeowner or any other Person who entered into a Ground Lease with respect to the Lot and an agreement of purchase and sale to purchase the Home prior to the effective date of said modification, but said modification shall apply to any Person who enters into an agreement to purchase the Home from or after the effective date of said modification.

16.1.2 Exclusions. The events described in Section 2 of Exhibit E attached hereto shall not constitute Reassignment Option Events. Upon the occurrence of any of the events described in Section 2 of Exhibit E with respect to Homeowner, Homeowner may continue to hold his or her interest in this Ground Lease and to own and occupy the Home in accordance with the terms of this Ground Lease.

16.2 Option. Landowner shall have the right and option to require Homeowner to terminate this Ground Lease and to sell the Home to Landowner or its assignee from and after the occurrence of a Reassignment Option Event as provided in this Section 16 (“Reassignment Option”), except that if a Reassignment Option Event occurs by reason of a foreclosure or deed in lieu of foreclosure, Landowner shall not have the option of purchase hereunder until either the transferee resells the Home or five years after the foreclosure or deed in lieu of foreclosure, whichever occurs first. Notwithstanding the foregoing, however, Landowner’s option to purchase the Home shall terminate upon the acquisition of the Home by an Eligible Successor Homeowner. Landowner shall have the foregoing option to acquire the Home and terminate this Ground Lease if a Reassignment Option Event occurs with respect to the purchaser of the Home pursuant to such foreclosure or deed in lieu of foreclosure.

16.3 Exercise. Landowner’s Reassignment Option shall be exercisable by the delivery to Homeowner of written notice at any time during the period commencing on the date of the occurrence of the Reassignment Event and ending on the sixtieth (60th) day following Landowner’s receipt of written notice from Homeowner (“Reassignment Option Event Exercise Period”). Landowner may assign the Reassignment Option to any Eligible Successor Homeowner in accordance with the priority system and assignment and offering procedures for subsequent transfers described in the Ground Lease.

16.4 Purchase Price and Closing. If Landowner or its assignee exercises Landowner’s Reassignment Option during the Reassignment Option Event Exercise Period,

(i) the purchase price for the assignment and sale to Landowner or its assignee shall be equal to the lesser of:

(a) the Maximum Resale Price or

(b) the appraised value of the Home (determined pursuant to the appraisal process described in Section 15.4.3, except that the appraisal shall apply to the Home as a whole, including, without limitation, any and all Qualified Capital Improvements, and shall exclude the value of the Lot and related infrastructure),

provided that, if the Reassignment Option Event is the Homeowner’s default on a loan made or guaranteed by Landowner or a corporate affiliate of Landowner in connection with Homeowner’s acquisition of the Home and ground leasehold of the Lot, as specified in Section 1(f) of Exhibit E, then Landowner shall be entitled to offset against the purchase price the full outstanding amount of any such loan made (with interest, penalties and costs of collection, if any) and, with respect to any such guarantee undertaken, the costs, expenses, losses or other charges incurred by Landowner and such corporate affiliate incurred by them by reason of Homeowner’s default on the guaranteed loan, provided that for charges incurred by such corporate affiliate, Landowner has agreed to indemnify such affiliate for charges incurred pursuant to a default under such guaranteed loan. This right of offset shall be in addition to Landowner’s and such corporate affiliate’s other rights and remedies under such instruments.

(ii) the closing of said sale transaction shall occur within sixty (60) days following the expiration of the Reassignment Option Event Exercise Period.

16.5 Extension of Time Periods. Notwithstanding any other provisions of this Section 16, Landowner or its assignee and Homeowner may mutually agree to extend the Reassignment Option Event Exercise Period, and, if Landowner or its assignee exercises Landowner's Reassignment Option, Landowner or its assignee and Homeowner may mutually agree to extend the sixty (60) day period for the closing of said sale.

16.6 No Waiver. The non-exercise by Landowner or its assignee of Landowner's Reassignment Option with respect to a particular Reassignment Option Event, under this Ground Lease or otherwise, shall not constitute or be deemed to be a waiver of Landowner's Reassignment Purchase Option upon the occurrence of any other or subsequent Reassignment Option Event. Landowner's Reassignment Option shall apply upon the occurrence of each Reassignment Option Event, notwithstanding the prior occurrence of any Reassignment Option Event or occurrence of any other Reassignment Option Event.

16.7 Authorization and Release. Homeowner agrees to cooperate with Landowner in providing and obtaining information necessary to make a determination whether a Reassignment Option Event may have occurred. Homeowner hereby authorizes Landowner to obtain whatever information may be required from third parties for Landowner to make such determination, including, without limitation, CPP, CSU, their auxiliaries or affiliates, and any other employer of Homeowner. Landowner agrees to utilize any such information so obtained only for such purpose and, if applicable, for implementing Landowner's rights under this Section 16.

17. Other Rights and Obligations of Landowner and Homeowner.

17.1 Entry by Landowner. Except as described below, no representative of Landowner may enter the Lot, the Home, or any Improvement without Homeowner's prior consent. Landowner shall have the right to enter the Lot, the Home or any Improvement in the event of an emergency that appears to threaten the safety of any person or destruction of the Home. Representatives of Landowner shall have the right to inspect improvements under construction, and upon their completion, to ascertain that such improvements comply with the plans and specifications approved by Landowner, as provided in Section 14.1 of this Ground Lease and the Regulations.

17.2 Reservation of Oil, Gas, and Mineral Rights. Landowner hereby reserves the sole and exclusive right to prospect for, drill for, produce, and take any oil, gas, or other hydrocarbon or mineral substances and accompanying fluids, including all geothermal resources, from the Lot, including the rights to slant drill, maintain subsurface pressures, and utilize subsurface storage space for natural substances. This reservation does not include the right of entry from surface access, nor any right not expressly reserved herein. Homeowner shall not be disturbed in his quiet enjoyment and peaceful use of the Lot by the aforementioned drilling or production activities.

17.3 Estoppel Certificates. At Landowner's request, Homeowner shall execute, acknowledge, and deliver a certificate certifying:

(i) that this Ground Lease is unmodified and in full force and effect (or, if there has been any modification, that this Ground Lease is in full force and effect as modified and stating the modification);

(ii) the date to which the Monthly Rents and Adjusted Rents have been paid;

(iii) that there are no existing offsets or defenses against the enforcement of any provision of this Ground Lease on the part of Homeowner (or, if so, specifying the same); and

(iv) that no notice has been given to Homeowner of any default that has not been cured.

If Homeowner fails to execute and return to Landowner such certificate within thirty (30) days of its receipt, the certificate, in the form prepared by Landowner, shall be deemed correct.

17.4 Compliance with Regulations. Homeowner shall comply with the requirements respecting maintenance and use of the Lot set forth in the Regulations. Failure to comply with these requirements shall constitute a breach of this Ground Lease and, in addition to the remedies provided in Section 19 below, shall give rise to a cause of action by Landowner for the recovery of damages or for injunctive relief, or both.

18. Nonsubordination and Permitted Encumbrances.

18.1 Nonsubordination of Ground Lease. This Ground Lease shall be a prior lien against the Lot in respect to any loan, mortgage, deed of trust, other lease, lien or encumbrance that may hereafter be placed on the Lot. Homeowner shall, without any cost to Landowner, execute any instrument that is necessary or is reasonably requested by Landowner to further effect the nonsubordination of this Ground Lease.

18.2 Permitted Encumbrances by Homeowner.

18.2.1 Right to Encumber. Homeowner shall have the right, without obtaining the consent of Landowner, to mortgage or assign all or part of Homeowner's interest under this Ground Lease pursuant to a deed of trust or other appropriate security instrument (collectively, a "Permitted Encumbrance") as security to any Lender that has advanced funds to Homeowner under a promissory note. In such event, Landowner shall execute all necessary papers reasonably required by such Lender that are consistent with the terms of this Ground Lease; provided that Landowner shall not be required to sign any note or Permitted Encumbrance or otherwise become obligated to any Lender, and provided further that no such encumbrance shall constitute a lien upon Landowner's fee interest in the Lot.

18.2.1.1 Each Permitted Encumbrance shall contain a rider, in a form approved by Landowner, which refers to the respective rights, remedies and obligations of Landowner, Homeowner and the Lender as provided in Section 18.1 and this Section 18.2.

18.2.1.2 If and only if the note for a Permitted Encumbrance provides that it is assumable, Homeowner shall use commercially reasonable efforts to ensure that such note and the Permitted Encumbrance securing such note includes provisions that permit, but do not obligate, Landowner to assume and perform Homeowner's obligations thereunder in the event of any termination of this Ground Lease by Landowner upon a default by Homeowner. In the event Landowner exercises said right, Landowner shall not be obligated to pay to the Lender any penalties, fees or other charges, other than a reasonable assumption fee, and the Lender shall not be permitted to accelerate all or any portion of the indebtedness under the note or the Permitted Encumbrance.

However, if Homeowner is unable to obtain the provisions described in the immediately preceding two sentences, this Ground Lease and Homeowner's and Lender's rights hereunder will not be affected. Landowner's rights under this Section shall not be assignable by Landowner to any other Person unless the Lender otherwise agrees to any said assignment.

18.2.2 Notices to and by Lender. Concurrently with the execution of any Permitted Encumbrance, Homeowner shall furnish to Landowner the name and address of the holder of the Permitted Encumbrance. Landowner shall thereafter mail to such Lender a duplicate copy of any notices that Landowner may give to Homeowner. Homeowner shall also furnish to such Lender the address for delivery of notices to Landowner.

18.2.3 Order of Recordation. No Permitted Encumbrance or other document may be recorded by Homeowner or any Lender with respect to the Lot prior to the recordation of the Ground Lease or a memorandum describing the Ground Lease and prior to the recordation of this Ground Lease or a memorandum describing this Ground Lease.

18.2.4 Request for Notices. Upon the recording of any Permitted Encumbrance, Homeowner shall, at Homeowner's expense, record in the office of the Los Angeles County Recorder a request for notice under California Civil Code Section 2924b, executed and acknowledged by Landowner, for a copy of all notices of default and all notices of sale under such Permitted Encumbrance as provided by the laws of California. In the event that the recorded Permitted Encumbrance requires that notices be sent to Landowner, such requirement in the Permitted Encumbrance shall constitute compliance with this provision.

18.2.5 Lender's Rights After Notice to Landowner. Subject to Sections 18.2.1.2 and 18.2.6, any Lender under a Permitted Encumbrance that acquires an interest under this Ground Lease or the Home by foreclosure or deed-in-lieu of foreclosure may assign or transfer the same to any qualified buyer (or any interest in any new lease obtained pursuant to Section 15.3), provided that:

(i) the transferee gives at least thirty (30) days prior written notice to Landowner that Lender has acquired and intends to assign or transfer such interest;

(ii) the transferee gives at least ten (10) days notice to Landowner of its intent to accept an offer to purchase the leasehold interest in the Lot and the Home together with a copy of such offer, and

(iii) Landowner fails to give within such ten (10) day period written notice of its election to make such purchase itself on the same terms as specified in such offer.

18.2.6 Landowner Option to Purchase. For a period of forty-five (45) days following notification by the proposed transferee to Landowner pursuant to Section 18.2.5 above of the Lender's intent to assign its interest in the Lot and sell the Home and other Improvements, Landowner shall have the option to accept such assignment and purchase the Home and other Improvements at a price equal to the full amount bid and paid at the foreclosure sale through which the Lender acquired an interest in the Lot, or the full balance of the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage up to the date of sale except for the transfer, real property taxes that have been paid by the Lender or have accrued on the Lot, the Home and the other Improvements; the fees of the attorneys

for the Lender as permitted by statute, statutory costs and allowances permitted in connection with the foreclosure or other proceeding, and any other reasonable holding costs incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure. Such option shall be fully and freely assignable to such persons and upon such terms and conditions as Landowner in its sole and absolute discretion may determine. If Landowner or its assignee notifies the Lender within the forty-five (45) day period that the option will be exercised, the assignment and sale transaction between Landowner or its assignee and the Lender shall be closed within sixty (60) days after the giving of such notice.

18.2.7 Lender's Maximum Resale Price. Notwithstanding anything to the contrary in this Ground Lease, if a Lender acquires the Lot by foreclosure or deed in lieu of foreclosure pursuant to this Section 18.2 and Landowner does not exercise its option to purchase pursuant to Section 18.2.6 above, the "Lender's Maximum Resale Price" shall be the greater of (i) the Maximum Resale Price as established pursuant to Section 15.4.2, or (iii) an amount equal to the full amount then owing on the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage except for the transfer up to the date of sale, real property taxes that have been paid by the Lender or have accrued on the Lot, the Home and the other Improvements, the fees of the attorneys for the Lender as permitted by statute, statutory costs and allowances permitted in connection with the foreclosure or other proceeding, and any other reasonable holding costs incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure.

18.2.8 Landowner Consent to Transfer on Foreclosure Not Required. The written consent of Landowner shall not be required to any assignment or other transfer of Homeowner's interest in this Ground Lease under a Permitted Encumbrance at a foreclosure sale, judicial foreclosure or assignment to the Lender in lieu of foreclosure, and provided that consent to such transfers described in this Section 18.2.8 is either not required or has already been granted, and provided further that the Lender has complied with Sections 18.2.5, though 18.2.7 above, a Lender need not obtain further consents from Landowner upon any subsequent sale, assignment, or other transfer of an interest in this Ground Lease by such Lender.

18.2.9 No Termination Without Consent of Lender. Except as provided in Sections 19.5 and 20.1 of this Ground Lease, and in connection with the sale of the Home pursuant to Section 15 above, Landowner and Homeowner agree that there shall be no modification, mutual termination, or surrender of this Ground Lease by Landowner and Homeowner without the prior written consent of each Lender that is a beneficiary of a Permitted Encumbrance and whose interest could be affected by such action.

18.2.10 Lender Acquires Interest in Lot. In the event that any Lender under a Permitted Encumbrance subsequently assigns or transfers its interest under this Ground Lease, after acquiring the same by foreclosure or deed in lieu of foreclosure, and, in connection with any such assignment or transfer, the Lender takes back a deed of trust or other appropriate security instrument encumbering such leasehold interest to secure a portion of the purchase price given to the Lender for such assignment or transfer, then such deed of trust or security instrument (notwithstanding whether or not it is in a first lien position) shall be considered a Permitted Encumbrance as contemplated hereunder, and the Lender shall be entitled to receive the benefit of and enforce the provisions of this Section 18.2 and any other provision of this Ground Lease intended for the benefit of the holder of such Permitted Encumbrance.

18.2.11 Person Other than Lender Acquires Interest in Parcel. In the event that any person other than the Lender acquires an interest under this Ground Lease by foreclosure or deed in lieu of foreclosure, then Landowner shall have the option to acquire the Home and terminate this Ground Lease pursuant to Section 16 above if a Reassignment Option Event occurs with respect to such purchaser of the Home.

19. Default and Termination.

19.1 Default by Homeowner.

19.1.1 Landowner Right to Terminate. Subject to the provisions of Sections 19.1.2 and 21.4, if Homeowner shall fail to remedy any default in the payment of Monthly Rents or Adjusted Rents due under this Ground Lease for thirty (30) days after notice of such default, or fail to remedy any default with respect to any of the other provisions, covenants, or conditions of this Ground Lease to be kept or performed by Homeowner within sixty (60) days after notice of such default, or such additional time as is reasonably required to cure such default, unless Homeowner has commenced to cure such default within thirty (30) days after notice of default and is diligently proceeding to cure such default, Landowner shall have the right (subject to the provisions of Section 7.1, if applicable) to terminate this Ground Lease and Homeowner's right to possess the Lot by giving notice of such termination to Homeowner and any Lender under a Permitted Encumbrance.

19.1.2 Lender's Rights. Notwithstanding anything to the contrary in this Ground Lease, Landowner shall not take any action to terminate this Ground Lease due to any default or breach on the part of Homeowner if any Lender under a Permitted Encumbrance, on or before thirty (30) days after the giving of notice to the Lender by Landowner of Landowner's intention to terminate this Ground Lease for such default or breach following the expiration of the time for Homeowner to cure such default or breach as set forth in Section 19.9.1 above:

19.1.2.1 shall cure such default or breach if the same can be cured by the payment or expenditure of money; or

19.1.2.2 shall diligently take action to obtain possession of the Lot (including possession by receiver) and to cure such default or breach in the case of a default or breach which cannot be cured unless and until the Lender has obtained possession; or

19.1.2.3 if such default or breach is not curable as provided under Section 19.1.2.1 or 19.1.2.2, shall institute and complete judicial or nonjudicial foreclosure proceedings or otherwise acquire Homeowner's interest with due diligence, and keep and perform all of the covenants and conditions of this Ground Lease requiring the payment or expenditure of money by Homeowner until such time as Homeowner's interest shall be sold upon foreclosure pursuant to the Permitted Encumbrance or shall be released or reconveyed thereunder, provided that Lender shall not be required to continue such action for possession or such foreclosure proceedings if such default or breach shall be cured by Homeowner, and provided further that, if such Lender shall fail or refuse to comply with the conditions of this subsection, Landowner shall be released from the covenant of forbearance set forth in this subsection.

19.2 Remedies of Landowner.

19.2.1 Recovery. If Landowner terminates this Ground Lease in accordance with the provisions of Section 19.1, Landowner may recover from Homeowner: (i) unpaid Monthly Rents and Adjusted Rents earned at the time of termination, which termination shall be treated as if a

sale of the Improvements had occurred; (ii) all other amounts then owed to Landowner; and (iii) any other amount necessary to compensate Landowner for all the detriment proximately caused by Homeowner's failure to perform his or her obligations under this Ground Lease.

19.2.2 Actions by Landowner. Efforts by Landowner to mitigate any damages caused by Homeowner's breach of this Ground Lease shall not be treated as a waiver of Landowner's right to recover damages under this Section 19.2. Nothing in this Section 19 shall affect the right of Landowner to be held harmless for any liability arising prior to the termination of this Ground Lease for death, personal injury, or property damage as provided in this Ground Lease. No initial action shall be brought under this Section 19 more than four (4) years after any breach of the Ground Lease by Homeowner that is known to Landowner, or more than four (4) years after the termination of Homeowner's right to possess the Home, whichever is earlier.

19.2.3 Late Fee. Any Monthly Rents or Adjusted Rents not paid when due shall result in a late fee of Fifty Dollars (\$50). In addition, interest shall accrue at the rate of eight percent (8%) on the amount of unpaid Monthly Rents or Adjusted Rents from the due date until the date received by Landowner. Notwithstanding the foregoing, however, payment of any late fee pursuant to this Section shall not excuse or cure any default by Homeowner under this Ground Lease.

19.3 No Waiver. No waiver by Landowner at any time of any provision of this Ground Lease or any other lease shall be deemed a waiver at any subsequent time of the same or any other provision of this Ground Lease, nor of the strict and prompt performance required under this Ground Lease. No option, right, power, remedy, or privilege of Landowner shall be construed as being exhausted or discharged by its exercise in one or more instances. Each of the rights, powers, options, or remedies given Landowner by this Ground Lease are cumulative and no one of them is exclusive of the other or exclusive of any remedies provided by law, and the exercise of one right, power, option, or remedy by Landowner shall not impair the right to use any other.

19.4 Attorneys' Fees. In the event that either Landowner or Homeowner brings suit against the other to enforce its rights under this Ground Lease, the prevailing party shall be entitled to recover from the other reasonable attorneys' fees to be fixed by the court.

19.5 End of Term.

19.5.1 Surrender of Lot. Upon the expiration or sooner termination of this Ground Lease, Homeowner shall quit and surrender the Lot, the Home and any other Improvements, to Landowner, without further obligation on the part of either party to this Ground Lease, free and clear of all liens and encumbrances other than easements created by or with the approval of Landowner. Upon the expiration of this Ground Lease, title to and ownership of the Home and the Improvements shall automatically vest in Landowner, without the execution of any further instrument.

19.5.2 Right To Remove Personal Property. Upon the expiration or sooner termination of this Ground Lease, Homeowner shall have the right to remove any and all of Homeowner's personal property from the Lot, provided that Homeowner shall be responsible for any resultant damage to the Lot or the Improvements. Any personal property which is not removed within sixty (60) days of the expiration date or termination date, as applicable, shall become the property of Landowner, as permitted by law.

19.6 Failure of Homeowner To Perform Required Acts. Subject to the provisions of Sections 7.4 and 8.3, if at any time during the term of this Ground Lease Homeowner

fails or refuses to perform any actions required of Homeowner, Landowner shall have the right but not the obligation to perform the same, but at the cost of and for the account of Homeowner, provided that Landowner shall in no case take such action sooner than thirty (30) days after giving Homeowner written notice of such failure or refusal and allowing such period within which Homeowner may commence a bona fide effort to cure the same. Upon demand therefor, Homeowner shall pay to Landowner the amount of any money expended by Landowner pursuant to this Section 19.6, together with interest at the Interest Rate. Nothing contained in this Section 19.6 shall diminish the rights of Landowner with regard to defaults under Section 19.1 or with regard to remedies under Section 19.2 of this Ground Lease.

20. Condemnation.

20.1 Restoration Not Possible. If during the term of this Ground Lease, the entire Lot shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Lot shall be taken, but it shall be determined by Landowner that the Improvements cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, Homeowner, at Homeowner's option, may terminate this Ground Lease as of the date of such taking, and the rights of Landowner and Homeowner in and to the award upon any such taking shall be determined in accordance with Section 20.4.

20.2 Restoration Possible. If less than the entire Lot shall be taken as a result of the exercise of the right of eminent domain and it shall be determined by Landowner that the Improvements can be repaired, restored, or replaced to a condition suitable for residential purposes, this Ground Lease shall not terminate but shall continue in full force and effect for the remainder of its term; provided, however, that the Monthly Rents shall be equitably adjusted by Landowner to reflect any decrease in the size of the Lot. The rights of Landowner and Homeowner in and to the award upon any such taking shall be determined in accordance with Section 20.4. Homeowner shall, to the extent condemnation proceeds are available to Homeowner, assign and deliver such proceeds to Landowner, and Landowner shall then, with due diligence, restore, repair, and replace that portion of the Improvements not so taken to a condition suitable for residential purposes, having due regard for the design, construction, and character of the Improvements existing before such taking and shall attempt to make such repairs within six (6) months, but may take such longer time as is reasonably required.

20.3 Temporary Taking. If all or any portion of the Lot or the improvements on the Lot shall be taken by the exercise of the right of eminent domain for governmental occupancy for a limited period of time, this Ground Lease shall not terminate and Homeowner shall continue to perform and observe all of his obligations as though such taking had not occurred, except to the extent that Homeowner may be prevented from so doing by reason of such taking. Homeowner shall in no event be excused from the payment of Monthly Rents and Adjusted Rents and all other sums and charges required to be paid under this Ground Lease.

20.4 Award. If all or a portion of the Lot shall be taken by exercise of the right of eminent domain, the total award in any such proceeding or for any such injury or reduction in value shall be determined as follows:

20.4.1 In the event of any taking that results in the termination of this Ground Lease in accordance with the provisions of this Section 20, then Landowner and, subject to the rights of any Lender, Homeowner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests in the Lot and Improvements.

20.4.2 In the event of any taking of a portion of the Lot or of the Improvements that does not result in the termination of this Ground Lease in accordance with the provisions of this Section 20, then Landowner and, subject to the rights of any Lender, Homeowner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests affected by such taking.

20.5 Definition. As used in this Section 20, the phrase “taken as a result of the exercise of the right of eminent domain” shall mean a taking or damaging by eminent domain, or by inverse condemnation, or by deed or transfer in lieu thereof, for any public or quasi-public use under any statute or law. The taking shall, at Homeowner’s election, be considered to have taken place as of the earlier of (i) the date actual physical possession is taken by the condemnor; or (ii) the date on which the right to compensation and damages accrues under the applicable law; or (iii) the date on which title vests in the condemnor.

20.6 Lender’s Rights. In the event that any Lender acquires an interest under this Ground Lease by foreclosure or deed-in-lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as Homeowner as set forth in this Section 20. Such Lender shall be released from all further obligations under this Ground Lease upon such Lender’s transfer of the Home to a Successor Homeowner and such Successor Homeowner’s execution of a new Ground Lease pursuant to Section 15.3.3 hereof.

21. Miscellaneous.

21.1 Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Ground Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to secure materials, or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided that nothing in this Section 21.1 shall excuse Homeowner from the prompt payment of any Monthly Rents or Adjusted Rents or other charge required of Homeowner. The party delayed or prevented from the performance of any act shall notify the other of such delay or prevention within ten (10) days of its inception, and shall thereafter keep such party regularly informed of the status of such delay or prevention.

21.2 Time of the Essence. The parties agree that time is of the essence in this Ground Lease and, accordingly, that the time limits stated in this Ground Lease shall be strictly observed.

21.3 Binding Effect. The provisions of this Ground Lease shall bind the heirs, executors, administrators, successors, and assigns of the original parties to this Ground Lease, provided that nothing in this Section 21.3 shall be deemed to authorize or permit the assignment of any interest in this Ground Lease other than in strict compliance with the provisions of this Ground Lease.

21.4 Notices. All notices required to be given under this Ground Lease shall be in writing and shall be deemed to have been given when hand delivered to the addressee or deposited in the United States mail properly addressed to the addressee with postage prepaid in certified or registered form, return receipt requested.

21.4.1 All notices to Landowner shall be delivered or mailed to Cal Poly Pomona Foundation, Inc., Attn: Real Estate Development Director, 3801 W. Temple Avenue, Bldg.

#55, Pomona, CA 91768, and (ii) to such other person or place as Landowner may from time to time direct.

21.4.2 All notices to Homeowner shall be delivered or mailed to such address as Homeowner has designated in Exhibit D of this Ground Lease or to such other address as Homeowner shall designate from time to time to and Landowner by notice delivered in accordance with this Section 21.4.

21.4.3 In the event that Landowner has been notified of the interest of a Lender pursuant to Section 18 of this Ground Lease, then any notice sent to Landowner or Homeowner shall be simultaneously hand delivered or sent to such Lender by registered or certified mail, return receipt requested, at an address previously provided by Homeowner or such Lender.

21.5 Memorandum of Ground Lease. Concurrently with the execution of this Ground Lease, the parties shall execute and acknowledge a Ground Lease Memorandum, Deed to Improvements, and Declaration of Easements (the “Ground Lease Memorandum & Deed”), substantially in the form attached hereto as Exhibit J. The Ground Lease Memorandum & Deed shall contain a description of the Lot, the names of Landowner, as ground lessor, and Homeowner, as ground lessee, the term of this Ground Lease and a grant or reservation of various easements therein or by reference to one or more recorded Record(s) of Survey. The Ground Lease Memorandum & Deed shall be recorded in the Official Records of Los Angeles County, California.

21.6 Captions, Gender, and Number.

21.6.1 The captions used in this Ground Lease are for convenience only and are not a part of this Ground Lease and do not in any way limit or amplify its terms or provisions.

21.6.2 As used in this Ground Lease, the use of one gender shall include the other and the use of the singular shall include the plural, and vice versa, as the context may require. If Homeowner consists of more than one person, the covenants, obligations, and liabilities of Homeowner shall be the joint and several covenants, obligations, and liabilities of such persons.

21.7 Governing Law and Construction. This Ground Lease shall be constructed and interpreted in accordance with and governed by the laws of the State of California. The language in all parts of this Ground Lease shall be construed according to its fair meaning and not strictly for or against Landowner or Homeowner.

21.8 Unenforceability or Invalidity of Provision. In the event and to the extent that any provision of this Ground Lease should be found invalid, void, or unenforceable by a court of competent jurisdiction, or so rendered by legislative or administrative action, the validity of the remainder of this Ground Lease shall not be affected and shall remain in full force and effect as if this Ground Lease had been executed with the portion held to be invalid, void, or unenforceable eliminated. To accomplish the intentions of the parties as expressed in this Ground Lease, the parties shall, if necessary, prepare and execute a modification to this Ground Lease, on terms that are reasonable and which will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void, or unenforceable.

21.9 Entire Agreement: Amendments.

21.9.1 This Ground Lease contains all of the agreements between Landowner and Homeowner relating in any manner to the subject matter of this Ground Lease. No

prior agreement or understanding with respect to the same shall be valid or of any force or effect, and, except as expressly provided in this Ground Lease or the Regulations, no provision of this Ground Lease shall be altered or added to, except in writing, signed by Landowner and Homeowner and with the written consent of any Lender of Homeowner. No representation, inducement, or understanding of any nature made, stated, or represented on behalf of either party to this Ground Lease, either orally or in writing, has induced the other party to enter into this Ground Lease, except as set forth in this Ground Lease.

21.10 Amendments to Lot Description. Landowner shall have the right from time to time to amend the description of the Lot provided, however, that no amendment shall alter the boundaries of the Lot without the approval of Homeowner.

21.11 Assignment and Delegation by Landowner. Notwithstanding any other provision of this Ground Lease, Landowner reserves the right to assign and delegate its rights and duties under this Ground Lease.

21.12 Exhibits. All of the Exhibits to this Ground Lease are incorporated by reference in this Ground Lease and shall, together with the Ground Lease, be deemed one and the same instrument.

21.13 Nondiscrimination Requirements. Homeowner covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this Ground Lease is made and accepted upon and subject to the following conditions:

“That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

In all cases, Homeowner shall not discriminate against any prospective Successor Homeowner on the basis of race, religion, color, national origin, ancestry, marital status, age, sex, physical or mental disability, or disabled veteran status.

IN WITNESS WHEREOF, the parties hereto have executed this Ground Lease as of the date first above written.

**CAL POLY POMONA FOUNDATION,
INC.**

By: _____

HOMEOWNER

_____ *(Homeowner)*

_____ *(Homeowner)*

GROUND LEASE EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>	<u>Section Reference</u>
A	Legal Description of Lot	Recital A
B	Qualified Capital Improvements	Definitions
C	Home Purchase Agreement	Section 2
D	Address of Homeowner for Delivery of Notices	Section 21.4
E	Reassignment Option Events	Section 16.1
F	Removed and Deleted from Contract	
G	Eligibility and Priority System and Offering Procedures for Homeowner Resales to Eligible Successor Homeowners	Section 15.1
H	Property Use and Maintenance Regulations Attachment 1: Architectural Guidelines	Definitions
I	Basic Rent	Section 4
J	Ground Lease Memorandum	Section 21.5
K	Notice of Intent to Sell	Section 15.2.1

**Ground Lease
Exhibit A**

LEGAL DESCRIPTION OF LOT

[To Be Inserted at Close of Escrow.]

**Ground Lease
Exhibit B**

QUALIFIED CAPITAL IMPROVEMENTS

The following is the initial list of Qualified Capital Improvements:

INTERIOR IMPROVEMENTS

Additional bathroom or rooms
Appliances
Plumbing fixtures
Plumbing upgrades
Sauna
Vacuum system
Wet bar
Shower door/tub enclosure
Mirror
Mirrored wardrobe door
Heating & air-conditioning
Fireplace
Electrical wiring
Lighting fixture
Insulation
Carpentry, finish
Garage Conversion
Cabinet
Hardware
Paint
Tile upgrade
Wall addition
Door addition
Intercom
Window addition
Flooring
Carpet
Counter tops
Window covering
Wall covering
Garage storage
Closet system
Security system

EXTERIOR IMPROVEMENTS

Deck-wood
Storage facility
Raingutter
Brick and concrete flatwork
Solar panels
Walkway
Patio
Patio cover
Wood fencing
Wall/masonry
Landscaping
Irrigation system
Pool/Spa
Barbecue
Arbor/trellis
Lighting
Fountain/Waterfall
Rockscaping

Note: Exterior improvements generally also require CPP recommendation to Landowner prior to installation.

Landowner shall have the right to add or delete items from the list of Qualified Capital Improvements, from time to time, and Landowner may solicit Homeowner comments on items that may be added or deleted from the list; however, additions or deletions shall be made by Landowner in its sole and absolute discretion.

Homeowner is hereby advised that if an improvement is made to the Home that is not a Qualified Capital Improvement, the cost or value of such improvement will not be part of the Maximum Resale Price of your Home. Therefore, if Homeowner wishes to have such an improvement added to the list of Qualified Capital Improvements, before such improvement is made, Homeowner should comply with the procedures established by Landowner (a description of which will be maintained in Landowner's offices) for requesting that said improvement be added to the list of Qualified Capital Improvements. Landowner shall have the right to approve or disapprove said type of improvement as a Qualified Capital Improvement in Landowner's sole and absolute discretion.

**Ground Lease
Exhibit C**

HOME PURCHASE AGREEMENT

[To Be Attached]

**Ground Lease
Exhibit D**

ADDRESS OF HOMEOWNER FOR DELIVERY OF NOTICES

Name(s) of Homeowner(s):

Address of Homeowner(s):

Pomona, CA 91768

Telephone Number(s) of Homeowner(s):

Home _____

Office _____

Email Address(es) of Homeowner(s)

Social Security Number (s)

**Ground Lease
Exhibit E**

REASSIGNMENT OPTION EVENTS

- 1. Reassignment Option Events.** Each of the following constitute Reassignment Option Events:
- (a) If Homeowner received priority in the purchase of the Home as a result of the employment status of one of the purchasers, any changes in that person's employment status that would cause that person not to qualify currently to purchase the Home by virtue of his or her employment status at the same priority level at which Homeowner purchased the Home (except as otherwise provided in Section 2 below). Examples include:
 - (i) Voluntary cutback in hours to a level below the level that originally provided Homeowner with the priority level that entitled Homeowner to originally purchase the Home.
 - (ii) Resignation.
 - (iii) Termination.
 - (iv) Nonrenewal of contract.
 - (v) A change to an appointment status not considered to be a permanent position.
 - (b) Title to the Home voluntarily or involuntarily (by operation of law, or otherwise) becomes held:
 - (i) Less than fifty percent (50%) by the original purchaser, or
 - (ii) Upon the death of the original purchaser less than one hundred percent (100%) by the surviving spouse (or other survivor who has spousal rights under California law) of the original purchaser (except that the original percentage ownership by a relative that helped the original purchaser buy the Home is still permitted).
 - (c) If the occupancy rights to the Home are awarded to a former spouse or other co-owner of the Home or other Person through a divorce, legal separation or other legal proceeding and the person so awarded the occupancy rights does not have at least as high a priority (as set forth on Exhibit G to the Ground Lease) as permitted Homeowner to acquire the Home in the first instance.
 - (d) If Homeowner is an Eligible Homeowner as a result of his or her employment status, and Homeowner retires, provided that if Homeowner's employment was with CPP or one of its auxiliaries, then the Reassignment Option Event will not occur until the anniversary of the retirement equal to one-half of the number of years the Eligible Homeowner was employed with CPP or the auxiliary, up to a maximum of five years

additional time (*e.g.*, if the Eligible Homeowner was employed by CPP for 8 years, the Reassignment Option Event would occur on the 4th anniversary of the Eligible Homeowner's retirement, and if the Eligible Homeowner was employed by CPP for 20 years, the Reassignment Option Event would occur on the 5th anniversary of the Eligible Homeowner's retirement).

- (e) If Homeowner was not upon the initial purchase of the Home, and is not at the time of the Reassignment Option Event, a fulltime employee of California State University ("CSU") or one of its auxiliaries, a Reassignment Option Event will occur on the fifth (5th) anniversary of the initial purchase of the Home, if Landowner determines that the Home needs to be acquired for purposes of the Program.
- (f) Homeowner defaults on a Permitted Encumbrance, or on a loan made or guaranteed by Landowner or a corporate affiliate of Landowner in connection with Homeowner's acquisition of the Home and ground leasehold of the Lot.
- (g) If any of the events in paragraphs (a) through (f) above occurs with respect to a Person other than a Lender who acquires an interest under this Ground Lease by foreclosure or deed in lieu of foreclosure.

2. Events That Do Not Constitute Reassignment Option Events. Although the following technically qualify under Section 1 above as Reassignment Option Events, the following events are excluded from the definition of and do not constitute Reassignment Option Events:

- (a) If Homeowner is an Eligible Homeowner as a result of his or her employment status and there is a change in Homeowner's employment status where the employee:
 - (i) Becomes temporarily or permanently disabled and his/her time commitment to the employer is therefore reduced.
 - (ii) Is considered to be in full-time service to the employer even though his/her hours were involuntarily reduced to less than original eligibility thresholds.
- (b) Acquisition of fifty percent (50%) or less of the total interests in a Home by a person who, acting alone, would not have qualified to purchase the Home at the time it was purchased, if the remainder of the ownership interest in the Home is owned by the purchaser of the Home who was so qualified.
- (c) The transfer by Homeowner to a trust in connection with Homeowner's estate planning as permitted by Section 15.6 of the Ground Lease.

In this Exhibit E, employment status of employees of CPP and its auxiliaries and changes thereto shall be determined with reference to CPP definitions contemporaneous to the event in question, and if there is no such CPP definition, then with reference to CSU definitions.

**Ground Lease
Exhibit G**

**ELIGIBILITY AND PRIORITY SYSTEM AND OFFERING PROCEDURES FOR
HOMEOWNER RESALES TO ELIGIBLE SUCCESSOR HOMEOWNERS**

The following describes the eligibility and priority system and procedures for Homeowner's sale of the Home, current as of the date of this Ground Lease. Such system and procedures are subject to modification at any time by Landowner, and, in addition, Landowner may promulgate and distribute regulations, from time to time, to implement these eligibility and priority system and procedures, which regulations will be binding on Homeowner; provided, however, that no such Regulations shall extend any required offering periods, when combined with Landowner's Purchase Option in Section 15.2 of the Ground Lease, to a period in excess of one-hundred eighty (180) days. Some requirements of the Ground Lease are restated in this Exhibit for convenience of reference.

1. Eligibility and Priority.

A. Eligibility.

- (i) **Offerees.** Persons are eligible to apply with a written offer of employment but must actually be an employee by close of escrow, except that National Hires (as defined below) do not need to be employed to close escrow but must have submitted a fully executed employment contract.
- (ii) **Landowner Employees.** Existing employees of the Landowner at Director's level and higher, with the following exceptions:

(a) No other employees of either CPP or Landowner have applied to purchase, or

(b) CPP President has approved employee purchase in writing

B. Priority.

- (i) **Definitions.**

Long-Term Employee: Employee with over 10 consecutive years of service to CPP and/or its auxiliaries.

National Hire: Fulltime, Tenured and Tenure-Track Faculty and Management Level 3 and above (or comparable rank for nationally recruited positions at campus auxiliaries).

New Recruit: Employee or offeree with a starting date on or after the start of the current fiscal year (July-June) or as designated by the Vice President of Academic Affairs.

On-Call: Employees whose job duties require them to be on call during off hours.

Primary Market: Tiers I, II and III as set forth in Section 1B(iii) below. New-home drawings are limited to the Primary Market unless otherwise specified by Landowner’s Board.

(ii) Priority Rules.

Applicants are ranked by Tier and then by Category within Tier if applicable.

Except as noted in Tier IV, the following priority criteria are used to rank persons within Tiers and Categories:

Rank	Criterion
a	
b	New Recruits
c	Non-homeowners
d	
e	On-Call (<i>Tiers II & III only</i>)
f	Long-Term Employee (<i>Tiers II-III only</i>)
g	All Others

Ties are resolved by lot, provided that Landowner may establish a waitlist which prioritizes applications in the order received.

(iii) Table of Tiers & Categories.

Following are the prioritized tables of Tiers and Categories within Tiers. Persons in Tiers I – III must be employees or offerees of CPP or its auxiliaries except Tier IA & IB or as otherwise specified by Landowner’s Board.

SEE TIERS SUBMITTED TO TOMAS MORALES....

TIER I: INSTITUTIONAL ADVANCEMENT	
Category	Description
CPP	CPP Presidential nominees
B	Designated Homeowners
C	National Hires

TIER II: OTHER FACULTY / FULLTIME EMPLOYEES	
Category	Description
A	Fulltime Lecturers (courseload of at least 15 units)
B	Fulltime Permanent Employees (_____)

TIER III: OTHER EMPLOYEES & DESIGNEES	
Category	Description
A	Lecturers (other than those in Tier IIA) with an academic-year contract of at least 0.5 fulltime-equivalent; and Probationary employees for a fulltime permanent position.
B	Part-Time Employees
C	Temporary Employees

TIER IV: BACK-UP MARKET	
A	Employees of other University Housing Alliance Consortium members: Cal Poly Pomona, Southern California College of Optometry, Hope University (<i>to be allocated to such persons or in such priority regime as designated by the Consortium member</i>)
B	CSU & CSU auxiliary employees (<i>comparable priority regime to Landowner unless otherwise requested by the employer</i>)
C	Employees of Educational Partners (entities with educational or other contractual ties with the campus) defined by Landowner's Board in consultation with the University
D	Employees of local educational institutions (with first priority in each category going to institutions in which CPP is located in the district) <ul style="list-style-type: none"> a. State higher-education b. Other State educational institutions (including K-12 school districts, with priority going to those in the school district in which the project is located) c. Private nonprofit higher-education d. Other nonprofit educational e. For-profit educational institutions
E	CSU emeriti
F	Campus alumni
G	Campus Continuing Learning Experience members and graduate students
H	Public employees <ul style="list-style-type: none"> 1. State 2. County of Los Angeles

	3. City in Los Angeles County 4. Other
I	General public

2. **Procedures.**

Homeowner shall offer the Home for sale to prospective Successor Homeowners in accordance with the following procedures. In all cases, Homeowner shall accept substantially equivalent pending offers in the priority order in Section 1 above, and at each step in the offering process described in this Section 2, Homeowner's interest in the Home must be offered for sale on terms and conditions which are, in all material respects, no more favorable to the purchaser than the terms and conditions offered to higher-priority purchasers. In addition to its other rights, Landowner shall be deemed to be an Eligible Successor Homeowner during any step in the offering process described herein.

- (a) **Primary Market:** For a period of at least sixty (60) days following the expiration or written waiver of Landowner's Purchase Option described in Section 15.2 of the Ground Lease, Homeowner must offer the Home for sale to the Primary Market (Tiers I-III). For the first thirty (30) days of that sixty (60) day period, Homeowner's interest in the Home may only be offered for sale to Tiers I and II.
- (b) **Back-Up Market.** Upon expiration of the sixty (60) day period described in Section 2(a) above Homeowner's interest in the Home may be offered for sale to the Tier IV Back-Up Market, as well as to the Primary Market.

As Written:

Offer 60 Days to Foundation, if Foundation waives
Offer 60 Days to Tiers 1-III
Offer 60 Days to Tiers IV
180 Days (6 months)

**Ground Lease
Exhibit H**

Property Use and Maintenance Regulations

Exhibit H-1

PROPERTY USE AND MAINTENANCE REGULATIONS

1. DEFINITIONS

As used in these Regulations, all capitalized terms shall, unless otherwise indicated, have the same meanings as set forth in the Ground Lease to which these Regulations are attached. In addition:

“Architectural Guidelines” means the Architectural Guidelines from time to time issued or amended by the Foundation Board as provided in Section 5.7 of these Regulations.

“Building Code” means the latest edition of the Uniform Building Code as used by the City of Pomona, with such modifications, exclusions, or supplements/replacements as the Foundation may, from time to time, permit or require.

“CPP” means California State University Polytechnic, Pomona.

“Foundation” means the Cal Poly Pomona Foundation. The Foundation is a nonprofit public benefit corporation, and in the context of approvals, the Foundation means the Foundation Board of Directors or its designee.

“Foundation Board” means the Board of Directors of the Foundation.

“Ground Lease” means the Ground Lease between the Homeowner and the Foundation.

“Homeowner” means the owner of a home (the ground lessee of any Lot).

“Lot” means the Lot leased by the Homeowner pursuant to the Ground Lease.

“Regulations” means these Property Use and Maintenance Regulations.

“Statement of Compliance” means any Statement of Compliance issued by the Foundation pursuant to the provisions of Section 4.7 of these Regulations.

“Structure” means:

- (i) Any thing or object the placement of which upon any Lot may affect the appearance of such Lot, including by way of illustration and not limitation any building or part thereof, garage, porch, shed, greenhouse or bathhouse, coop or cage, covered or uncovered patio, swimming pool, fence, curbing, paving, wall, sign, signboard, temporary or permanent living quarters (including any house trailer), or any other temporary or permanent improvement to such Lot; and
- (ii) Any excavation, grading, fill, ditch, diversion dam, or other thing or device which affects or alters the natural flow of surface waters from, upon, or across any Lot, or which affects or alters the flow of any waters in any natural or artificial creek, stream, wash, or drainage channel from, upon, or across any Lot.

2. RESTRICTIONS RESPECTING USE AND MAINTENANCE

Each Lot shall be used in accordance with any conditions, covenants and restrictions recorded with respect to the Lot, any homeowner's association rules and regulations instituted in connection therewith, and the following specific requirements:

2.1 Interference with Quiet Enjoyment of Others

No use of any Lot shall be permitted which creates a nuisance or which, in the judgment of the Foundation Board or its designee, interferes with the quiet enjoyment of nearby homeowners.

2.2 Solid Waste

(a) No person shall dump rubbish, garbage, or any other form of solid waste on any Lot.

(b) No person shall burn rubbish, garbage, or any other form of solid waste on any Lot.

(c) Except for building materials employed during the course of construction of any Structure approved by the Foundation, no lumber, metals, bulk materials, or solid waste of any kind shall be kept, stored, or allowed to accumulate on any Lot.

(d) Rubbish, garbage, or any other form of solid waste shall be kept at all times in covered, sanitary containers designed for such purpose. If such waste is to be disposed of by being collected on a regular and recurring basis, in order to provide access to persons making the pick-up containers may be placed in the open not more than twelve (12) hours before and after scheduled pick-up. At all other times, such containers shall be located in enclosed areas screened from view or otherwise handled in a manner which may be set forth in the Architectural Guidelines. Guidelines relating to the type of containers permitted, the manner of storage, and the place of pick-up may also be included in the Architectural Guidelines. Separate lids of containers shall be secured to the container with a leash or other device to avoid the possibility of lids removed during collection from blocking storm drains.

2.3 Excavation and Drilling

No excavation shall be undertaken on any Lot without the prior written approval of the Foundation. Likewise, no Lot may be used for the purpose of drilling for or removing water without the prior written approval of the Foundation. Further, reference is made to Section 4.5(c).

2.4 Storm Drains, Drainage, Erosion Control, and Soil Conditions

(a) Nothing other than natural rainwater may be discharged into the storm-drain system. The National Pollution Discharge Elimination System, the Regional Water Quality Control Board orders, and the policies and ordinances of the County of Los Angeles and the City prohibit discharging anything other than natural rainwater into storm drainage systems, including gutters and streets which drain into storm drains. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, anti-freeze, solvents, paints, paint thinners, wood preservatives and other such materials

shall not be discharged into streets or gutters, or into storm drains or storm-water conveyance systems. Use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers, and other such chemicals shall meet federal, state and county requirements. Homeowners are required to comply with these restrictions. Homeowners are encouraged to consult with the applicable municipality and other governmental authorities and/or the refuse hauler in the area concerning the proper disposal of any toxic or hazardous materials. Dumping any such materials into sewers, gutters or storm drains is against the law.

(b) All water drainage and runoff from any Structure on a Lot shall drain or flow only into adjacent streets or designated drainage areas and shall not be allowed to drain or flow upon, across, or under any other real property unless an easement for such purpose has been granted.

(i) No activity which may create erosion or siltation problems shall be undertaken on any Lot without the prior written approval of the Foundation of plans and specifications for the prevention and control of such erosion or siltation. The Foundation may, as a condition of approval of such plans and specifications, require the use of certain means of preventing and controlling such erosion or siltation. Such means may include, for example and without limitation, physical devices for controlling the runoff and drainage of water, special precautions in grading and otherwise changing the natural landscape, and required landscaping as provided in Section 2.5 of these Regulations. Guidelines for the prevention and control of erosion and siltation may be included in the Architectural Guidelines. Notwithstanding the foregoing, reference is hereby made to Section 10.3 of the Ground Lease regarding Homeowner responsibility and liability for altering the established drainage pattern or devices. In no case should alterations be made that would impede the positive and rapid flow of water from roof and yard surfaces to the street and neighborhood storm-drain system. Gutters should be tied into an area drain system or, if permitted, diverted into swales that drain into the street.

(c) It is the responsibility of Homeowner and Homeowner's contractors and consultants to properly design and install any improvements so as to protect those improvements from damage resulting from any soil condition that may exist on the Lot. Lifting and cracking may occur but can be minimized with the use of professional engineering.

2.5 Landscaping and Landscape Maintenance

(a) Homeowner is responsible for the installation and maintenance of landscaping on the Lot.

(i) Homeowner shall be responsible for maintenance of such landscaping in a clean and attractive condition at all times in accordance with the approved plan and general standards of maintenance within the City, including but not limited to seeding, watering, and mowing of all backyard lawns, and the pruning and trimming of all trees, hedges, and shrubbery so that they do not obstruct the view of street traffic by motorists or pedestrians. Guidelines relating to the maintenance of landscaping may be included in the Architectural Guidelines.

(ii) In the event a Homeowner fails to adequately maintain such landscaping, the Foundation may do so and seek reimbursement of its costs from the Homeowner.

(iii) A Homeowner must exercise care in selecting trees and plants for the Lot to avoid those with invasive root systems that may damage improvements on that Lot or to adjacent properties.

(iv) A Homeowner may not construct improvements or place landscaping in such places so as to interfere with the established drainage patterns over the Lot or other neighboring areas.

(b) No construction or alteration of any Structure shall be undertaken without the prior written approval by the Foundation of plans and specifications for the landscaping and soil improvement to accompany such construction or alteration. Guidelines for the landscaping and soil improvement to accompany the construction or alteration of any Structure may be included in the Architectural Guidelines.

2.6 Tree Removal

Except for trees planted by a Homeowner wishing to remove the same or except as expressly permitted by the Foundation, no tree having a diameter of six (6) inches or more (measured from a point two [2] feet above ground level) shall be removed from any Lot, unless such removal is in conformity with approved landscaping plans and specifications submitted pursuant to the provisions of Section 2.5 of these Regulations or required for the construction of any Structure, the plans and specifications of which have been approved by the Foundation.

2.7 Chemical Fertilizers, Herbicides and Pesticides

No chemical fertilizers, herbicides, or pesticides shall be used on the Lot, except products which are available for consumer use through retail sources; are approved by the appropriate federal, state, and local governmental agencies; and are used in conformity with manufacturer's directions and for the purposes approved by such governmental agencies. A Homeowner spraying substantial amounts of pesticides or herbicides that can become airborne outside the Lot shall first notify adjoining neighbors so that they may close their windows if desired.

2.8 Machinery

No Structure shall be altered in its exterior appearance by the addition of any sort of machinery, including air conditioning and heating units, without the prior written approval of the Foundation of plans and specifications for such alteration. Approval by the Foundation of such alteration may be conditioned on the appropriate screening of said machinery.

2.9 Antennas

Homeowners are prohibited from installing any antennae on the exterior of a Structure for any purpose, except for an "Authorized Antenna," which may be installed so long as the proposed location for such installation is reviewed by the Foundation prior to installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Homeowners. The Foundation may require that the proposed location of the Authorized Antenna be changed so long as such review by the Foundation does not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation,

maintenance or use of an Authorized Antenna, or (3) preclude reception of an acceptable quality signal. An "Authorized Antenna" means:

- (i) an antenna that is designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter or less in diameter,
- (ii) an antenna that is designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, that is one meter or less in diameter or diagonal measurement,
- (iii) an antenna that is designed to receive television broadcast signals; or
- (iv) a mast supporting an antenna described in items (i), (ii) and (iii) above.

The Foundation may adopt additional restrictions on installation or use of an Authorized Antenna on a Structure so long as such restrictions do not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation maintenance or use of an Authorized Antenna, or (3) preclude reception of an acceptable quality signal. The Foundation may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents-or employees of the Foundation and other Homeowners, or for any other safety-related reason established by the Foundation. The Foundation also has the power to (i) prohibit a Homeowner from installing an Authorized Antenna on property which such Homeowner does not own or is not entitled to exclusively use or control, or (ii) allow a Homeowner to install an antenna other than an Authorized Antenna subject to applicable architectural standards and review by the Board. This Section 2.9 is intended to be a restatement of the authority granted to the Foundation under applicable law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of an antenna shall be interpreted to amend, modify, restate or interpret this Section 2.9.

2.10 Signs

Subject to Civil Code Sections 712 and 713, no sign, poster, billboard, balloon advertising device or other display of any kind shall be displayed on the Lot except for the following signs, so long as they comply with applicable municipal ordinances:

- (a) one (1) nameplate or similar Homeowner name or address identification sign for each Lot which complies with Foundation rules;
- (b) one (1) sign for a Lot advising of the existence of security services protecting a Lot which complies with Foundation rules;
- (c) one (1) sign which may be displayed on each Lot advertising the Lot for sale or lease; provided that such for sale or lease signs comply with the following requirements:
 - (i) the sign is not larger than eighteen inches (18") by thirty inches (30") in size;

(ii) the sign is attached to the ground by a conventional, single vertical stake which does not exceed two inches (2") by three inches (3") in diameter (i.e. posts, pillars, frames or similar arrangements are prohibited); and

(iii) the top of the sign is not more than three feet (3') in height above the ground level; and

(d) other signs or displays authorized by the Foundation.

2.11 Setbacks

In approving plans and specifications for any proposed Structure, the Foundation may establish setbacks for the location of the Structure. Guidelines for setbacks may be included in the Architectural Guidelines. No Structure shall be erected or placed on any Lot unless its location is consistent with such setbacks.

2.12 Fences and Retaining Walls

(a) No fence or wall of any kind shall be erected or altered on any Lot without the prior written approval of the Foundation of plans and specifications for such fences and walls. Guidelines relating to the design, location, and uses of fences and walls may be included in the Architectural Guidelines.

(b) Tubular-steel fencing and / or railcaps require periodic painting to inhibit rust. Homeowners are cautioned against placement and maintenance practices for surrounding landscaping and spray from irrigation sprinklers that can accelerate the need for maintenance.

(c) Masonry block walls may be designed as retaining walls, and may have been designed to retain a specific amount of earth behind the wall. No modifications shall be made to any retaining wall, and Homeowner must not place dirt against such masonry walls or otherwise alter the grading and drainage pattern in the vicinity of these walls. The Foundation will not be responsible for damage to the walls or the Lot resulting from such activity or misuse of such walls, or modifications made by the Homeowner to or in the vicinity of a retaining wall.

2.13 Parking, Storage and Repair of Vehicles; Garages

(a) No painting, repairing, or mechanical work, other than minor maintenance work and minor emergency repairs, shall be performed on any motor vehicle or boat on any Lot, except in a garage.

2.14 Exterior Lighting

Exterior lighting to be erected or altered on any Lot or Structure shall be subject to the prior written approval of the Foundation of plans and specifications for such lighting.

2.15 Mailboxes

(a) No mailbox or other Structure used as a receptacle for the delivery or dispatch of mail, packages, newspapers, periodicals, or similar matter shall be constructed or altered on any

Lot or the Community Space without the prior written approval of the US Postal Service and the Foundation of plans and specifications for such Structures.

2.16 Outside Storage

Outside storage of personal property shall not be allowed on any Lot or in any Structure located thereon unless screened by enclosures, fences, or other devices for which plans and specifications have been approved by the Foundation.

2.17 Animals

(a) No animals, including birds, insects, and reptiles, other than a reasonable number of generally recognized house or yard pets, shall be permitted on any Lot or in any Structure located thereon, and then only if kept thereon solely as household pets and not for commercial purposes.

(b) Each Homeowner shall be absolutely liable to other neighboring residents and their family members, guests and invitees and the Foundation and its officers, employees, agents and invitees for any damage to persons or property caused by any animal brought or kept within the Lot by such Homeowner or his or her household members, guests, employees, agents, tenants or invitees. Such Homeowner is responsible for controlling the noise from such animal. It shall be an absolute duty of each such Homeowner to clean up excrement or any other unsanitary condition caused by such animal. When outside of the fenced area of a Lot, dogs must be kept on a leash handled by a person capable of controlling the animal.

(c) No animal shall be allowed to become a nuisance, and the Foundation shall be empowered to order the removal of any pet that the Foundation determines to be a nuisance. No Structure for the care, housing, or confinement of any animal shall be constructed or altered on any Lot unless plans and specifications for said Structure have been approved by the Foundation.

2.18 Poles and Wires

(a) No permanent flagpole shall be installed or maintained on the exterior of any Structure or on any Lot exposed to view from any Lot.

(b) Except during approved construction or on a temporary basis as approved by the Foundation, no poles or wires for the transmission of electricity, telephone messages, or the like shall be installed on any Lot or on any Structure located thereon above the surface of the ground.

2.19 Window Coverings

Windows in any Structure on any Lot may be covered only by drapes, shades, blinds, or shutters and may not be painted or covered temporarily or permanently by aluminum foil, newspaper, sheets, cardboard, or similar material or any other material prohibited by the Foundation in the Architectural Guidelines.

2.20 Patios, Balconies and Courtyards

Without the express approval of the Foundation, nothing shall be placed or kept on or in any patio, balcony, or courtyard which is visible from any neighboring property other than furniture which is designed as patio furniture; facilities for barbecuing or any other outdoor cooking; and shrubs, bushes, and other plants.

2.21 Water Softeners

Any water softener installed on any Lot must be serviced on a periodic basis and operated in strict compliance with applicable local government requirements.

2.22 Pests

No Homeowner shall permit any condition to exist on his Lot that induces, breeds, or harbors infectious plant diseases or noxious insects or vermin.

2.23 Roof Equipment and Solar Energy Systems

(a) Each solar energy collector unit shall be integrated into the design of the Structure in which it is installed, and the plans and specifications for each such unit shall be subject to review and approval of the Foundation.

2.24 Gas Stubs

The exterior gas stub that may be provided with the Home is suitable only for use in connection with a gas barbecue. Any other use, e.g., spa or pool heater, may result in a serious fire hazard.

2.25 Maintenance

The maintenance obligations of Homeowner are set forth in Section 10 of the Ground Lease. Except as limited by such Section 10, each Homeowner shall keep and maintain the Lot as well as the Home and each Structure owned by such Homeowner in good condition and repair, including but not limited to the repairing and painting (or other appropriate external care) of all Structures; repairing / removing any damage to or oil leakage or gasoline spillage on the driveway caused by the Homeowner or his or her household members, tenants, guests or invitees, and for detached homes, general maintenance of the driveway; and the landscaping maintenance obligations addressed elsewhere in these Regulations. Guidelines relating to the maintenance of Structures may be included in the Architectural Guidelines. Failure to properly maintain the improvements may cause premature deterioration of important features, finishes or equipment.

3. PARTY WALLS

3.1 General Rules of Law to Apply

Each wall that is built as a part of the original construction of a Structure and placed on the dividing line between the Lot and the neighboring property shall constitute a party wall. To the extent not inconsistent with the provisions of this Article 3 the general rules of California law

regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to each such party wall and common roof area.

3.2 Sharing of Repair and Maintenance

Subject to the provisions of Section 17.3 of the Ground Lease, the cost of reasonable repair and maintenance of a party wall or common roof area shall be shared by the Homeowner and the neighboring property owner make use of such wall in proportion to such use, unless damage to the party wall or common roof area has been caused by the willful act or negligence of fewer than all of such owners, in which case the cost of reasonable repair and maintenance shall be the responsibility of those owners causing the damage.

3.3 Destruction by Fire or Other Casualty

Subject to the provisions of Section 17.3 of the Ground Lease, if a party wall is destroyed or damaged by fire or other casualty, any Homeowner who has used the wall may restore it, and if the other owners thereafter make use of the wall or common roof area, they shall contribute to the cost of restoration thereof in proportion to such use, without prejudice, however, to the right of any such owner to call for a larger contribution from the other owners under any rule of law regarding liability for negligent or willful acts or omissions.

3.4 Weatherproofing

Notwithstanding any other provision of this Article 3, a Homeowner who, by his negligent or willful act, causes an interior party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

4. RESTRICTIONS RESPECTING CONSTRUCTION AND IMPROVEMENTS

4.1 Submission of Plans and Specifications

(a) No Structure shall be commenced, erected, placed, moved onto, or permitted to remain on any Lot, nor shall any existing Structure upon any Lot be altered in any way which (i) affects the exterior appearance of any Structure or Lot or (ii) affects the structural integrity of any Structure, unless plans and specifications therefor shall have been submitted to the Foundation for consideration. Such plans and specifications shall be in such form and shall contain such information as may be reasonably required in the Architectural Guidelines.

(b) All plans and specifications submitted pursuant to subsection (a) of this Section 4.1 shall be reviewed and accepted or rejected by the Foundation in accordance with the procedures set forth in Section 4.3 and Section 4.4 of these Regulations.

4.2 Notices to Adjoining Homeowners

Although the approval of homeowners holding adjoining property is not required as a condition of approval by the Foundation of particular plans and specifications submitted to it, such adjoining homeowners must be advised of the proposed work for which approval is sought and be given an adequate opportunity to file comments with the Foundation with respect to such work. No application for Foundation approval shall be considered complete unless accompanied by evidence,

in such form, as the Foundation finds acceptable, that adjoining homeowners have been notified concerning the pending application.

4.3 Approval of Plans and Specifications

Upon approval by the Foundation of any plans and specifications submitted pursuant to these Regulations, a copy of such plans and specifications, as approved, shall be deposited for permanent record with the Foundation, and a copy of such plans and specifications bearing such approval, in writing, shall be returned to the applicant submitting the same. Approval for use in connection with any Lot or Structure of any plans and specifications shall not be deemed a waiver of the Foundation's right, in its discretion, to disapprove similar plans and specifications or any of the features or elements included therein if such plans, specifications, features, or elements are subsequently submitted for use in connection with any other Lot or Structure. Approval of any such plans and specifications relating to any Lot or Structure, however, shall be final as to that Lot or Structure and such approval may not be revoked or rescinded thereafter, provided that there has been adherence to, and compliance with, such plans and specifications, as approved, and any conditions attached to any such approval.

4.4 Disapproval of Plans and Specifications

(a) Subject to the provisions of subsection (b) of this Section 4.4, the Foundation shall have the right to disapprove any plans and specifications submitted pursuant to these Regulations because of any of the following:

(i) The failure to include information in such plans and specifications as may have been reasonably requested;

(ii) The failure of such plans and specifications to comply with the Building Code, these Regulations, or the Architectural Guidelines; or

(iii) Any other matter which, in the judgment of the Foundation, would be likely to cause the proposed installation, construction, or alteration of a Structure (A) to fail to be in harmony of external design and general quality with the existing neighborhood structures or (B) as to location to be incompatible with topography, finished ground elevation, and surrounding Structures.

(b) In any case in which the Foundation shall disapprove any plans and specifications submitted hereunder, or shall approve the same only as modified or upon specified conditions, such disapproval or qualified approval shall be accompanied by a statement of the grounds upon which such action was based. In any such case the Foundation shall, if requested, make reasonable efforts to assist and advise the applicant in order that an acceptable proposal may be prepared and submitted for approval.

4.5 Conformity to Building Code and Easements

(a) No construction may be undertaken and no Structure may be erected on any Lot unless such construction and Structure conform to the requirements of the Building Code, if applicable, and are approved by the Foundation.

(b) To ensure compliance with the Building Code, as directed by the Foundation, all Structures and all work related thereto shall be subject to plan checks, inspections, and tests by the City or by such other persons or entities as the Foundation may designate, such plan checks, inspections, and tests to be paid for by the Homeowners concerned.

(c) Certain easements for governmental and other purposes (such as utilities) may be located within Lots that may affect future improvements. Prior to making any improvements, it shall be the responsibility of the Homeowner to locate and allow for these easements. The utility company, governmental agency and/or Foundation may have the right to remove improvements made over their respective easement area without any obligation to repair or restore such improvements.

4.6 Inspection Rights

To ascertain whether the installation, construction, alteration, or required maintenance of any Structure is in compliance with the provisions of these Regulations, as well as with any approvals or conditional approvals of the Foundation, any employee or agent of the Foundation may, after reasonable notice to the Homeowner concerned and at any reasonable time, enter upon any Lot (but not the interior of any housing unit). Neither the Foundation nor any employee or agent shall be deemed to have committed a trespass or other wrongful act solely by reason of such entry or inspection, provided that such inspection is carried out in accordance with the terms of this Section 4.6.

4.7 Statement of Compliance

(a) Upon completion of the installation, construction, or alteration of any Structure in accordance with plans and specifications approved by the Foundation, the Foundation shall, upon written request of the Homeowner owning such Structure or upon the Foundation's own initiative, issue a Statement of Compliance, identifying such Structure and the Lot upon which such Structure is placed, and stating that the plans and specifications have been approved and that such Structure complies with such plans and specifications. A copy of said Statement of Compliance shall be filed for permanent record with the plans and specifications on file with the Foundation.

(b) Any Statement of Compliance issued in accordance with the provisions of this Section 4.7 shall be *prima facie* evidence of the facts therein stated; and as to any purchaser or encumbrance in good faith and for value, or as to any title insurer, such Statement of Compliance shall be conclusive evidence that all Structures on the Lot comply with all the requirements of this Article 4, provided that the Statement of Compliance shall in no way be construed to certify the acceptability, sufficiency, or approval by the Foundation of the actual construction of Structures or of the workmanship pertaining thereto, or to represent or warrant to anyone the quality, function, or operation of the Structures or of any construction, workmanship, engineering, materials, or equipment related thereto.

4.8 Fees

The Foundation may impose and collect reasonable and appropriate fees from each applicant seeking its approval pursuant to the provisions of these Regulations to cover the Foundation's costs of operation, including but not limited to (i) the cost of examination of any plans and specifications submitted for approval pursuant to these Regulations, (ii) the cost of inspections or

tests performed pursuant to Section 4.5 of these Regulations, and (iii) reimbursements to the Foundation pursuant to Section 5.3 of these Regulations. Such fees shall be established from time to time by the Foundation and published in the Architectural Guidelines.

5.0 ARCHITECTURAL GUIDELINES

5.1 Architectural Guidelines

(a) The Foundation Board may, from time to time in its own discretion, adopt or amend the Architectural Guidelines attached hereto for the purposes of:

(i) Governing the form and content of plans and specifications to be submitted for approval pursuant to the provisions of these Regulations;

(ii) Governing the procedure for such submission of plans and specifications; and

(iii) Establishing guidelines with respect to the approval and disapproval of design features, architectural styles, exterior colors and materials, details of construction, location and size of Structures, and all other matters that require approval by the Foundation pursuant to these Regulations.

(b) Subject to the provisions of Section 4.5 of these Regulations, the Architectural Guidelines, as approved or amended by the Foundation Board, shall be binding upon the Foundation and shall be used by the Foundation in making decisions as described in Section 4.3 and Section 4.4 of these Regulations. The Foundation shall make a published copy of the current Architectural Guidelines readily available to all applicants seeking the Foundation's approval and to each Homeowner.

6.0 ENFORCEMENT

6.1 Right of Enforcement

The Foundation shall have the right to enforce the provisions of these Regulations by appropriate judicial proceedings, including actions for damages, injunction, or specific performance, as well as any other relief to which the Foundation may be entitled at law or in equity. Such right of enforcement shall be in addition and supplemental to any right which the Foundation may have to declare a Homeowner in default under the Lease as a result of the Homeowner's violation of the provisions of these Regulations.

6.2 No Waiver

The failure of the Foundation to enforce any provision of these Regulations in one or more instances shall not be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to any violation or breach occurring prior or subsequent thereto.

6.3 Right of Abatement

(a) In the event of a violation or breach of any provision of these Regulations, the Foundation may give written notice by certified mail to the Homeowner setting forth in reasonable detail the nature of such violation or breach and the specific action or actions needed to be taken to remedy such violation or breach. If the Homeowner shall fail to take reasonable steps to remedy such violation or breach within thirty (30) days after the mailing of such written notice, then the Foundation shall have the right of abatement described in subsection (b) of this Section 6.3.

(b) The right of abatement, as used in this Section 6.3, means the right of the Foundation, through its agents and employees, to enter at reasonable times upon any Lot or Structure, as to which a violation, breach, or other condition to be remedied exists, and to take the actions specified in the notice to the Homeowner to abate, extinguish, remove, or repair such violation, breach, or other condition which may exist thereon contrary to the provisions of these Regulations, without being deemed to have committed a trespass or wrongful act solely by reason of such entry and such actions; provided that such entry and such actions are carried out in accordance with the provisions of this Section 6.3.

(c) All reasonable costs incurred by the Foundation in exercising its right of abatement as provided in this Section 6.3 shall be chargeable to the Homeowner with respect to whose Lot such actions in abatement are taken, and such charges shall be regarded as additional rent which such Homeowner is obligated to pay under the terms of the Lease. Such charges shall be due and payable thirty (30) days after the Foundation has rendered a statement therefore to the Homeowner unless the Foundation, in its sole discretion, agrees to a more extended repayment period.

7.0 AMENDMENTS AND CONFLICTS

7.1 Amendments

The provisions of these Regulations may not be amended in any respect except by an amendment (i) proposed by the Foundation Board in a written notice to all Homeowners and (ii) approved by Homeowners holding no sooner than fourteen (14) days after the giving of such written notice by the Foundation Board. For purposes of this Article 7, the term "Homeowner" shall be deemed to include any lawful successor or assignee of a Homeowner, including without limitation any lender, the Foundation, or The Trustees of the California State University.

7.2 Conflicts

In the event of any conflict between the provisions of these Regulations and the provisions of the Architectural Guidelines, the provisions of these Regulations shall govern. In the event of any conflict between the provisions of these Regulations or the Architectural Guidelines and the provisions of the Ground Lease, the provisions of the Ground Lease shall govern.

Ground Lease Exhibit I

BASIC RENT

Homeowner shall pay Lessor on or before the first day of every month, one-twelfth of the Rent Percentage (as specified below) times the value of the Homeowner's leasehold interest in the Land ("Land Value").

(A) For the first five (5) years of the Term, monthly Basic Rent shall be one-twelfth of the initial Rent Percentage of One Percent (1.0%) times the "Initial Land Value," as specified below.

(B) For Years six (6) through (8) of the Term and each year thereafter, monthly Basic Rent shall be one-twelfth of the Rent Percentage of Four Percent (4.0%) times the "Land Value," as specified below.

(C) For Year nine (9) of the Term and each year thereafter, monthly Basic Rent shall be one-twelfth of the Rent Percentage of Eight Percent (8.0%) times the "Land Value," as specified below.

The date for the beginning of Year 1 of the Term, solely for the purposes of the calculation of Basic Rent and adjustments to Basic Rent pursuant to Section 4 of the Ground Lease and this Exhibit I to the Ground Lease, shall be deemed the date of the Grant Deed/Lease Assignment for the first conveyance of the Unit from the Foundation to the Homebuyer. The date of the beginning of each subsequent year of the Ground Lease, for the purposes set forth above, shall commence upon the corresponding anniversary of the date of such Grant Deed/Lease Assignment. The foregoing shall not modify the Commencement Date or the Expiration Date of the Ground Lease.

The Land Value shall be recalculated after the tenth (10th) year of the Term and every five (5) years thereafter throughout the Term, by adjusting the Land Value by the percentage increase in C.P.I. during the previous five (5) years. In no event, however, shall the increase in the Land Value exceed ten percent (10%) in any year, or fifty percent (50%) in any five-year period. Based upon such adjustment of the Land Value, there shall be an adjustment of Homeowner's monthly Basic Rent ("Basic Rent Adjustment") so that monthly Basic Rent payable by the Homeowner shall be one-twelfth of the Rent Percentage times the adjusted Land Value. The first Basic Rent Adjustment shall occur upon the first day of the month following the tenth (10th) anniversary of the Commencement Date, and subsequent Basic Rent Adjustment Dates shall occur every fifth (5th) anniversary of a Basic Rent Adjustment Date; provided, however, that the Lessor may perform a Basic Rent Adjustment on the closing of a resale of the Unit.

Initial Land Value: \$84,000

Initial Basic Rent (Years 1 through 5): \$840 per year, equivalent to \$70.00 per month

Basic Annual Rent (Year 6 to 8): \$3,360 per year, equivalent to \$280.00 per month.

Basic Annual Rent (Year 9 to end): \$6,720 per year plus CPI Adjustment after Year 10 and after each 5-year period thereafter, equivalent to \$560.00 per month plus CPI Adjustment after Year 10 and after each 5-year period thereafter.

Examples:

- *If the CPI increased one percent (1%) per year in Year 1 through Year 10, then in Year 11 through Year 15 the adjusted Land Value would be \$92,788.26 and the Basic Rent would be \$7,423.06 per year, equivalent to \$618.59 per month.*
- *If the CPI increased three percent (3%) per year in Year 1 through Year 10, then in Year 11 through Year 15 the adjusted Land Value would be \$112,888.98 and the Basic Rent would be \$9,031.12 per year, equivalent to \$752.59 per month.*
- *If the CPI increased five percent (5%) per year in Year 1 through Year 10, then in Year 11 through Year 15 the adjusted Land Value would be \$136,827.15 and the Basic Rent would be \$10,946.17 per year, equivalent to \$912.18 per month.*

The above examples are for illustrative purposes only and do not or will not necessarily reflect the actual past or future performance of the CPI. Past performance is no guarantee of future performance. To review the performance of the CPI, go to **www.bls.gov**.

Exhibit J

GROUND LEASE MEMORANDUM

[To Be Inserted at the Close of Escrow]

Exhibit J-1

Exhibit K

NOTICE OF INTENT TO SELL

To
Cal Poly Pomona Foundation, Inc.

Date: _____

Executive Director
Cal Poly Pomona Foundation, Inc.
3801 W. Temple Ave., Bldg. 55
Pomona, CA 91768

Reference: _____, Pomona, CA 91768
Notice of Intent to Offer Home For Sale

Dear Sir or Madam:

(Homeowner to check only the applicable section(s) below)

____ Pursuant to **Section 15.2.1, Homeowner Sale Notice**, of the Ground Lease executed between ourselves and the Cal Poly Pomona Foundation, Inc. for the home located at the above-referenced address we are notifying you of our decision to sell the home and requesting you commence your ninety (90) day first right of refusal to purchase the home.

We believe the pricing of the home should be \$_____ based on the pricing restrictions stated in Section 15.2.2 of the Ground Lease. We have/have not had an appraisal performed for the home to support these values which is/is not attached.

____ Pursuant to **Section 15.3.1 Notice of Transfer** and in compliance with the sale restrictions contained in **Section 15** of the ground lease executed between ourselves and the Cal Poly Pomona Foundation, Inc. for the home located at the above-referenced address we are notifying you of the sale of our interest in the home to the following listed person(s):

Full Name _____ Full Name _____
Phone Number _____ Phone Number _____
Home Address _____ Home Address _____
Employer _____ Employer _____

____ Pursuant to **Section 15.3.2 Notice of Sale Price**, of the Ground Lease executed between ourselves and the Cal Poly Pomona Foundation, Inc. for the home located at the above-referenced address we are notifying you of the sale price in the amount of \$_____ and request Landowner certify this amount in accordance with Section 15 of the Ground Lease.

If you have any questions please call us at: _____.

Sincerely,

(Homeowner)

(Homeowner)

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