

GARDEN GROVE CITY COUNCIL

RESOLUTION NO. 9353-16

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE  
APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT WITH THE LAB  
HOLDING LLC FOR THE DISPOSITION OF TWELVE CIVIC CENTER PROPERTIES FOR  
THE COTTAGE INDUSTRIES PROJECT

WHEREAS, the City has acquired from its Housing Authority land consisting of twelve single-family residential parcels in the City of Garden Grove, County of Orange, State of California, known as APNs: 090-172-18, 090-172-29, 090-173-04, 090-173-05, 090-173-07, 090-173-09, 090-173-11, 090-173-16, 090-173-22, 090-174-05, 090-174-11, and 090-174-10 (collectively, the "Properties").

WHEREAS, the City has negotiated an agreement with the Lab Holdings, LLC (the "Developer") for the disposition and commercial reuse of the Properties at fair market value.

WHEREAS, Developer wishes to purchase the Properties to develop the Cottage Industries project, consisting of the rehabilitation and reuse of the existing buildings for commercial uses consistent with the zoning's mixed use character, including, but not limited to, markets, cafes, office and retail uses, all in compliance with the City's building and zoning regulations.

WHEREAS, the parties have agreed to the disposition price representing the Properties' fair market value.

WHEREAS, the disposition of the Properties by the City and development of the Properties as provided for in the Disposition and Development Agreement is in the vital and best interest of the City and the welfare of its residents as it will rehabilitate the Properties and create jobs.

WHEREAS, the Properties will require substantial rehabilitation and are not ideal for the maintenance or development of lower income housing.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Garden Grove that the Disposition and Development Agreement attached hereto is hereby approved and the City Manager is hereby authorized to execute the Agreement and to sign all other documents necessary and appropriate to carry out and implement the Agreement.

Adopted this 10<sup>th</sup> day of May 2016.

ATTEST:

/s/ BAO NGUYEN  
MAYOR

/s/ KATHLEEN BAILOR, CMC  
CITY CLERK

STATE OF CALIFORNIA    )  
COUNTY OF ORANGE    ) SS:  
CITY OF GARDEN GROVE )

I, KATHLEEN BAILOR, City Clerk of the City of Garden Grove, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Garden Grove, California, at a meeting held on the 10<sup>th</sup> day of May 2016, by the following vote:

AYES:    COUNCIL MEMBERS:   (5) BEARD, BUI, JONES, PHAN, NGUYEN  
NOES:    COUNCIL MEMBERS:   (0) NONE  
ABSENT:  COUNCIL MEMBERS:   (0) NONE

/s/ KATHLEEN BAILOR, CMC  
CITY CLERK

## **DISPOSITION AND DEVELOPMENT AGREEMENT**

This DISPOSITION AND DEVELOPMENT AGREEMENT (“Agreement”) is dated as of the last date when all the parties have executed the Agreement (the “Effective Date”), and is entered into by and between the CITY OF GARDEN GROVE, a California municipal corporation (the “City”), and LAB HOLDING, LLC, a California limited liability company (the “Developer”).

The following recitals are a substantive part of this Agreement:

Whereas, City has acquired from its Housing Authority land consisting of twelve single-family residential parcels in the City of Garden Grove, County of Orange, State of California, known as Assessor’s Parcel Numbers: 090-172-18, 090-172-29, 090-173-04, 090-173-05, 090-173-07, 090-173-09, 090-173-11, 090-173-16, 090-173-22, 090-174-05, 090-174-11, and 090-174-10, as listed in **Exhibit “A”** and more particularly described on **Exhibits “A1”** through **“A12”** attached hereto and made a part hereof, together with any improvements thereon, and all rights and appurtenances, if any, pertaining to such land including all adjacent streets, alleys or rights-of-way (collectively, the “Property”).

Whereas, Developer wishes to purchase the Property to develop the Cottage Industries project, consisting of the rehabilitation and reuse of the existing buildings for commercial uses consistent with the zoning’s mixed use character, including, but not limited to, markets, cafes, office and retail uses, all in compliance with the City’s building and zoning regulations.

Whereas, the parties have agreed to the disposition price representing the Property’s fair market value.

Whereas, the disposition of the Property by the City and development of the Property as provided for in this Agreement is in the vital and best interest of the City and the welfare of its residents as it will rehabilitate the Property and create jobs.

NOW, THEREFORE, in consideration of the terms and conditions of this Agreement and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Developer and City hereby agree as follows:

1. Property Conveyance. Subject to and in accordance with the terms and conditions hereinafter set forth, City agrees to cause the conveyance of the Property to Developer, and Developer agrees to acquire the Property from City.

2. Escrow Holder/Title Company, Close of Escrow and Outside Closing Date.

2.1. Escrow Holder/Title Company: Promptly after the execution of this Agreement, the parties shall open escrow at First American Title Insurance Co. c/o Nathan Thompson, Escrow Officer (hereinafter, “Escrow Holder” and/or “Title Company”) located at

18500 Von Karman Ave., Suite 600, Irvine, CA, 92612 and the parties shall promptly deliver to Escrow Holder a fully executed copy of this Agreement.

2.2. Close of escrow: The “Close of Escrow” is and shall be defined as the date that a grant deed for the Property in favor of Developer is recorded in the Official Records of the Orange County Recorder’s Office and the Title Company shall have committed to issue the Title Policy (defined in Section 5) to Developer.

2.3. Outside closing Date: The Close of Escrow shall occur on or before November 21, 2016 which hereinafter is and shall be defined as the “Outside Closing Date.”

3. Consideration for the Conveyance of the Property. The consideration for the conveyance of the Property to be paid by Developer to City is the sum of **THREE MILLION THREE HUNDRED EIGHTY-SIX THOUSAND FOUR HUNDRED THIRTY-SEVEN DOLLARS AND FIFTY CENTS** (\$3,386,437.50) (the “Consideration”) payable as follows:

3.1. \$677,257.50 down payment (20%) at the Close of Escrow (the “Down Payment”).

3.2. \$2,709,030.00 balance evidenced by a promissory note in the form attached as **Exhibit “B”** attached hereto (the “Promissory Note”), the repayment of which will be secured by a Deed of Trust against the Property in the form attached as **Exhibit “C”** attached hereto (the “Deed of Trust”). The term of the promissory note shall be five years at 4% simple interest payable in 60 equal monthly interest-only payments in the amount of \$9,030.10 with a balloon payment on the 60<sup>th</sup> month. Developer may prepay the principal balance at any time without penalty.

4. Delivery of Documents and Possession on the Close of Escrow.

4.1. At the Close of Escrow, City shall cause to be delivered to Developer duly executed Grant Deeds in the form attached as **Exhibit “D”** attached hereto (the “Grant Deed”) conveying to Developer all of City’s interest in the separate parcels constituting the Property, subject to all matters of record.

4.2. At the Close of Escrow, Developer shall obtain a Title Policy (as defined in Section 5) issued by the Title Company insuring in Developer fee simple title to the Property, free and clear of all liens and encumbrances other than the Permitted Title Exceptions (as defined in Section 5). Notwithstanding the foregoing or any other provision of this Agreement, City shall not have any obligation of any kind in connection with the condition of title (except as expressly provided in Section 5.2 below) or in connection with the issuance of any title policy or endorsement.

4.3. At the Close of Escrow, Developer shall cause to be delivered to City the duly executed Promissory Note and Deed of Trust.

4.4. At the Close of Escrow, Developer shall be entitled to possession of the Property subject to all matters of record.

4.5 At the Close of Escrow, City shall cause to be delivered to Developer the Properties vacant, free and clear of lease or rental occupancy agreements.

5. Title, Title Insurance, Survey, and Due Diligence Period.

5.1. Within ten (10) days after the Effective Date, if City has not already done so, City shall deliver to Developer the most current preliminary title report in its possession for the Property from the Title Company together with copies of all instruments noted as exceptions therein and plotted on a plot map (the "Preliminary Title Report"). Entry onto the Property by Developer and its agents shall be subject to Section 9 of this Agreement.

5.2. The period from the Effective Date to the date that is ten (10) days prior to the Outside Closing Date is hereinafter referred to as the "Due Diligence Period." Developer shall have until the end of the Due Diligence Period to disapprove any exceptions to title shown on the Preliminary Title Report (collectively, "Disapproved Exceptions") and to provide City with notice of disapproval in writing describing the defect with reasonable particularity (the "Disapproval Notice"). Within five (5) days after City's receipt of a Disapproval Notice, City may, but shall not be required to, notify Developer in writing whether City intends to remove the Disapproved Exceptions. If City does not give notice to Developer that City intends to eliminate the Disapproved Exceptions, it shall be conclusive that City does not intend to eliminate the Disapproved Exceptions. If City does not intend to eliminate the Disapproved Exceptions then Developer may terminate the Agreement at any time seven (7) days after the Due Diligence Period ends. The policy of title insurance shall include such endorsements as Developer shall request and any title policy endorsements shall be paid for by Developer. Whether or not Developer shall have furnished to City any notice of Disapproved Exceptions pursuant to the foregoing provisions of this Agreement, Developer may, at or prior to the Close of Escrow, notify City in writing of objections to any title exceptions raised by the Title Company after the Due Diligence Period or Developer's response to title matters, whichever is earlier. With respect to any Disapproved Exceptions set forth in such notice, Developer must either accept title subject to such matters or may terminate this Agreement.

5.3. It shall be a condition of the close of escrow that Developer's fee title to the Property shall be insured at the Close of Escrow by a CLTA Coverage Owner's Policy of Title Insurance in the amount of the Consideration, issued by Title Company together with all endorsements requested by Developer (collectively, the "Title Policy") free and clear of all liens, encumbrances, restrictions, and rights-of-way of record, subject only to the following (the "Permitted Title Exceptions"):

5.3.1. Real property taxes for the then current tax fiscal year which are a lien not yet due and payable; and

5.3.2. Those title exceptions approved by Developer or deemed approved by Developer pursuant to Section 5(b) of this Agreement.

5.4. City shall not improve, alter, encumber, lease or agree to sell the Property or any portion thereof or interest therein to any other party during the period from the Effective Date to the Close of Escrow or the date of the termination of this Agreement, as applicable.

6. Deposit of Documents and Funds in Escrow. City and Developer, as applicable, hereby covenant and agree to deliver to Escrow Holder at least one (1) business day prior to the Close of Escrow the following instruments, documents, and funds, the delivery of each of which shall be a condition of the Close of Escrow:

6.1. City shall deliver:

6.1.1. The Grant Deed duly executed by City;

6.1.2. A Withholding Exemption Certificate Form 593 as contemplated by California Revenue and Taxation Code §18662 (the "Withholding Affidavit") duly executed by City;

6.1.3. A Certification of Non-Foreign Status in accordance with Internal Revenue Code Section 1445 duly executed by City; and

6.1.4. Such funds, if any, as are required to pay for costs and expenses payable by City hereunder.

6.2. Developer shall deliver:

6.2.1. The Down Payment together with such funds as are required to pay for costs and expenses payable by Developer hereunder;

6.2.2. The Promissory Note duly executed by Developer;

6.2.3. The Deed of Trust duly executed by Developer; and

6.2.4. Such proof of Developer's authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the Title Policy.

7. Authorization to Record Documents and Disburse Funds. Escrow Holder is hereby authorized to record the documents and disburse the funds and distribute the documents called for hereunder upon the Close of Escrow, provided each of the following conditions has then been fulfilled:

7.1. The Title Company can issue the Title Policy, with a liability amount equal to the Consideration, showing fee title to the Property vested in Developer, subject only to the Permitted Title Exceptions. The title report shows there are no mortgages, deeds of trust, mechanic's liens, or other liens encumbering the property.

7.2. Escrow Holder shall have received Developer's authorization to close and Developer's notice of approval or satisfaction or waiver of all of the contingencies/conditions to Developer's obligations hereunder, as provided for in Section 13;

7.3. Escrow Holder shall have received City's authorization to close and City's notice of approval or satisfaction or waiver of all of the contingencies/conditions to City's obligations hereunder, as provided for in Section 14; and

7.4. City and Developer shall have deposited in Escrow the documents and funds required pursuant to Section 6.

Unless otherwise instructed in writing, Escrow Holder is authorized to record at the Close of Escrow any instrument delivered through this Escrow if necessary or proper for the issuance of the Title Policy.

8. Escrow Charges and Pro-rations.

8.1. City shall pay: (i) one-half of the escrow fees and charges of Escrow Holder; (ii) one-half of the cost of the premium for the CLTA Standard Coverage portion of the Owner's Title Policy; (iii) none of the costs of any additional premiums for an ALTA endorsement, or any other endorsement required by Developer; (iv) City's share of the charges prorated under this Agreement, if any; and (v) all costs of City's legal counsel and consultants. If the Escrow shall fail to close for any reason other than City's default, City shall pay none of any applicable Escrow cancellation charges. If Escrow shall fail to close due to City's default, City shall pay all Escrow cancellation charges. City shall not be required to pay off any general or special assessments or bonded indebtedness encumbering the Property, but shall be responsible for any such assessments or bonded indebtedness due and owing prior to the Close of Escrow. Developer shall assume the unpaid balance of the same at the Close of Escrow.

8.2. Developer shall pay: (i) one-half of the escrow fees and charges of Escrow Holder; (ii) one-half of the cost of the premium for the Title Policy; (iii) the costs of any additional premiums for any other endorsement required by Developer; (iv) Developer's share of the charges prorated under this Agreement; and (v) all costs of Developer's legal counsel and consultants. If the Escrow shall fail to close for any reason other than Developers' default, or election not to purchase the property, then Developer shall pay any applicable Escrow cancellation charges.

8.3. The following shall be apportioned with respect to the Property as of 12:01 a.m., on the day on which the Close of Escrow occurs, as if Developer were vested with title to the Property during the entire day upon which the Close of Escrow occurs:

8.3.1. Taxes and assessments levied against the Property; and

8.3.2. Any operating expenses or costs pertaining to the Property.

8.4. Notwithstanding anything contained in this Section 8.3, any installment of taxes or assessments for the current year paid at or prior to the Close of Escrow shall be prorated based upon the amounts actually paid. If taxes and assessments for the current year have not been paid before the Close of Escrow, City shall be charged at the Close of Escrow an amount equal to that portion of such taxes and assessments which relates to the period before the Close of Escrow and Developer shall pay the taxes and assessments prior to their becoming delinquent. Any such apportionment made with respect to a tax year for which the tax rate or assessed valuation, or both, have not yet been fixed shall be based upon the tax rate and/or assessed valuation last fixed. To the extent that the actual taxes and assessments for the current year differ from the amount apportioned at the Close of Escrow, the parties shall make all necessary adjustments by appropriate payments between themselves following the Close of Escrow. All delinquent taxes and assessments (and any penalties therein) for periods ending prior to the Close of Escrow, if any, affecting the Property shall be paid by City. Developer shall be solely responsible to pay all supplemental tax assessments arising as a result of the sale to the Property pursuant to this Agreement. Current installments on any general assessment, special assessments, and bonded indebtedness encumbering the Property at the Close of Escrow shall be prorated at the Close of Escrow and Developer will assume the obligation to pay the unpaid principal balance when due of such assessments/bonds after the Close of Escrow.

8.5. All pro-rations shall be determined on the basis of a 360-day year. The provisions of this Section 8 shall survive the Close of Escrow.

9. Access to Property. Until the end of the Due Diligence Period, Developer shall have the right to enter upon the Property during the Due Diligence Period to make inspections and other examinations of the Property, including without limitation, the right to perform surveys, soil and geological tests of the Property and the right to perform environmental site assessments and studies of the Property subject to the terms of an Access Agreement in the form incorporated herein and attached hereto as **Exhibit "E"**, but any such right of access under the Access Agreement shall be extended until the end of the Due Diligence Period stated herein. In the event that Developer elects not to purchase the Property due to a matter disclosed by the condition of the Property, Developer shall so notify City by the Close of Escrow and this Agreement shall automatically terminate.

10. Indemnification.

10.1. Developer hereby agrees to indemnify City and the Garden Grove Housing Authority against, and to hold City and Housing Authority harmless and, at the option of City, defend City and Housing Authority, their officers, directors, employees, agents and representatives (collectively, "City Indemnified Parties") with counsel approved by City, from all claims, liabilities, losses, damages, costs and expenses, including, without limitation, legal fees and disbursements, incurred by City Indemnified Parties by reason of any claims or litigation relating to the Property brought or pursued by any third party that arise from acts, occurrences, omissions



or other matters that arise in connection with any entry onto the Property by Developer or Developer's agents prior to the Close of Escrow.

10.2. Developer further agrees to indemnify, defend and hold City Indemnified Parties harmless (or pay for the cost of such defense), including attorney's fees, for any action to challenge this transaction.

11. Warranties, Representations and Covenants of City. City hereby represents, warrants and covenants to Developer that City is not a "foreign person" within the meaning of Section 1445(f)(3) of the Internal Revenue Code.

12. Representations and Warranties of Developer. Developer hereby covenants, represents and warrants to City the following, it being expressly understood and agreed that all such representations and warranties are to be true and correct at the date of this Agreement and as of the Close of Escrow:

12.1. Developer expressly warrants and represents to City that except for the warranties and representations set forth in this Agreement, upon the Close of Escrow and by accepting the Grant Deed, Developer accepts the Property on an "AS IS, WHERE IS, and WITH ALL FAULTS" basis and is relying solely upon Developer's own independent factual, physical and legal investigations, tests and studies. This representation and warranty shall survive the Close of Escrow and delivery of the Grant Deed.

13. Developer's Conditions. Developer's obligations under this Agreement are expressly made subject to the following conditions precedent solely for the benefit of Developer. The Close of Escrow and Developer's obligation to consummate the purchase of Property shall be contingent upon and subject to written notice to Escrow Holder by Developer of the occurrence of all of the following (or Developer's written waiver thereof, on or before the Close of Escrow:

13.1. Developer's obtaining a satisfactory commitment issued by Title Company to issue the Title Policy in favor of Developer with a liability amount equal to the Consideration showing Developer's fee interest in the Property subject only to the Permitted Title Exceptions.

13.2. As of the Close of Escrow, the representations and warranties of City contained in this Agreement are all true and correct.

13.3. City's delivery of all documents and funds required to be delivered by City pursuant to Section 6 hereof.

13.4. Developer's approval, prior to the Close of Escrow, of the physical condition of the Property, including without limitation, any and all inspections, tests, Survey(s), and other studies to be conducted by Developer, in Developer's sole and absolute discretion, including without limitation, any environmental site assessments, investigations, studies and reports, and Developer's approval of the Documents and Reports.

If any of the foregoing conditions precedent has not been either met to Developer's sole and absolute satisfaction (and has not been expressly waived in writing by Developer on or prior to the Close of Escrow), then this Agreement shall, at the option of Developer, terminate, in which event, except as expressly set forth in this Agreement, neither party shall have any further rights, duties and obligations hereunder except that Developer shall promptly deliver to City copies of the Survey. City shall not have any liability of any kind if the foregoing conditions are not satisfied or waived by Developer.

14. City's Conditions. For the benefit of City, the Close of Escrow and City's obligation to consummate the sale of the Property shall be contingent upon and subject to written notice to the Escrow Holder by City of the occurrence of all of the following (or City's written waiver thereof), on or before the Close of Escrow:

14.1. Deposit by Developer of the Consideration, and all other sums to be deposited by Developer in Escrow in accordance with the requirements hereof;

14.2. Developer's delivery of all documents required to be delivered by Developer pursuant to Section 6 hereof;

14.3. That as of the Close of Escrow the representations and warranties of Developer contained in this Agreement are all true and correct.

15. Default. In the event of a breach or default under this Agreement by either City or Developer, the non-defaulting party shall have the right to terminate this Agreement and the Escrow by delivering written notice thereof to the defaulting party and to Escrow Holder. Such termination of the Escrow by a non-defaulting party shall be without prejudice to the non-defaulting party's rights and remedies against the defaulting party at law or equity.

16. Notices. All notices, demands and requests which may be given, or which are required to be given by any party to this Agreement, and any exercise of a right of termination provided by this Agreement, shall be in writing and shall be deemed effective either: (1) on the third (3<sup>rd</sup>) business day after being sent, by certified or registered mail, return receipt requested, addressed to the intended recipient at the address specified below; (2) on the first (1<sup>st</sup>) business day after being deposited into the custody of a nationally recognized overnight delivery service (i.e., FedEx Corporation, UPS, or DHL) addressed to such party at the address specified below; or (3) on the business day sent via electronic mail in Portable Document Format (PDF) with confirmation of receipt, in which case notice shall be deemed delivered upon receipt of confirmation of receipt. For purposes of this section, the addresses of the parties for all notices are as follows:

Developer: Lab Holding, LLC  
709 Randolph Ave.  
Costa Mesa, CA 92626  
Attn.: Shaheen Sadeghi  
Phone: (714) 966-6661

City: City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, CA 92840  
Attn.: City Manager  
Phone: (714) 741-5100

Escrow  
Holder: As set forth in Section 2.

17. Broker's Commissions. Developer represents and warrants to City that Developer has used no broker, agent, finder or other person in connection with the transaction contemplated hereby to whom a brokerage or other commission or fee may be payable. City represents and warrants to Developer that City has used no broker, agent, finder or other person in connection with the transaction contemplated hereby to whom a brokerage or other commission or fee may be payable. Each party indemnifies and agrees to defend and hold the other harmless from any claims resulting from its breach of the warranties, representations and covenants made by it in this Section.

18. Standard Escrow Instructions. Each party agrees to execute Escrow Holder's supplemental reasonable standard instructions as may be necessary or proper in order to consummate the transactions contemplated by this Agreement; provided, however, in the event of a conflict between the terms hereof and the terms of such standard instructions, the terms hereof shall control.

19. Development of the Property.

19.1. Scope of Development. Developer agrees to develop the Cottage Industries project consisting of the rehabilitation and reuse of the existing buildings on the Property for commercial uses consistent with the zoning's mixed use character, including, but not limited to, markets, cafes, office and retail uses, all in compliance with the City's building and zoning regulations.

19.2. Schedule of Performance. Developer agrees to commence rehabilitation work and submit applications for permits within twelve (12) months of the Close of Escrow. Developer agrees to complete rehabilitation of the Property within thirty-six (36) months of the Close of Escrow. To this end, Developer shall cause development of the Cottage Industries project to be diligently pursued per **Exhibit "F"** Schedule of Performance. Developer shall be excused for any delays in construction or commencement of construction caused by the act of City or any governmental authority, the act of any public enemy, acts of God, the elements, war, war defense conditions, litigation, strikes, walkouts, or other causes beyond Developer's control. Developer shall, however, use reasonable diligence to avoid any such delay and to resume construction as promptly as possible after the delay. City's City Manager shall have the authority to approve reasonable adjustments to the timeline in Exhibit F.

19.3. City Cooperation. City staff will work cooperatively with Developer to assist in coordinating the expeditious processing and consideration of all necessary permits and approvals. Developer shall be responsible for payment of all fees payable in connection with the application and processing of the permits. The execution of this Agreement does not constitute the granting of any required land use permits, entitlements or approvals.

19.4. Cost of Development. All of the cost of planning, designing, developing and constructing the Cottage Industries Project, shall be borne solely by Developer.

19.5. Compliance With Laws. The Developer shall carry out the design, construction and operation of the development in conformity with all applicable laws, including all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation (to the extent applicable) the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq. Furthermore, the parties believe that California law does not require the payment of prevailing wages with respect to the development of the Property because the Property is being acquired by Developer at fair market value, and the City is not providing any subsidies or assistance hereunder. The Developer shall be solely responsible for determining and effectuating compliance with all applicable public works requirements, prevailing wage laws, and federal and state labor laws, and the City makes no representation as to the applicability or non-applicability of any of such laws to the development of the Property. Developer hereby expressly acknowledges and agrees that the City has not previously affirmatively represented to the Developer or its contractor(s) for the construction or development of the Property that the work to be covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code. Developer shall indemnify, protect, defend and hold harmless the City and its respective officers, employees, contractors and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorney's fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Property, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (1) the noncompliance by Developer of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay prevailing wages); (2) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law; and/or (3) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law) of the Project, including, without limitation, any and all public works (as defined by

applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 19.6, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Property by the Developer.

20. Time is of the Essence. The parties hereto agree that time is of the essence with respect to each term, condition and covenant hereof.

21. Entire Agreement. This Agreement, together with all exhibits hereto, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

22. Amendments. Any amendments to this Agreement shall be effective only when duly executed by City and Developer and deposited with Escrow Holder.

23. Attorneys' Fees. In the event that suit is brought for the enforcement of this Agreement or as the result of any alleged breach thereof, the prevailing party or parties in such suit shall be entitled to recover their reasonable attorneys' fees, costs, and expenses from the losing party or parties, and any judgment or decree rendered in such proceedings shall include an award thereof.

24. No Third Party Beneficiaries. This Agreement is entered into for the sole benefit of City and Developer, and no other parties are intended to be direct or incidental beneficiaries of this Agreement and no third party shall have any right in, under or to this Agreement.

25. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

26. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

27. Assignment of Agreement. Neither party may assign or transfer their respective rights or obligations under this Agreement without the prior written consent of the other. The following events shall not be considered a transfer of interest: (a) a change in ownership of Developer as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of Developer's stock on a national exchange or between Developer's parent company, if any, and any subsidiary, affiliate, related entity, or other entity that controls, is controlled by, or is under common control with Developer; (c) the Transfer of this Agreement to Developer's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with Developer; or (d) a collateral

assignment of Developer's interest in this Agreement to a lender as security for any indebtedness of Developer to the lender. Developer shall not be required to obtain City's consent and City shall have no right to delay, alter, or impede any of the foregoing transactions or combinations thereof, but such transfer of interest shall be effective only upon not less than sixty (60) days written notice to City.

28. Construction of Document. This Agreement is the result of a negotiation and is not the product of any one party. There shall be no presumption in the interpretation hereof that any ambiguity is to be resolved against any party hereto. The parties hereto waive expressly each and all provisions of California Civil Code Section 1654, which provides: "IN CASES OF UNCERTAINTY NOT REMOVED BY THE PRECEDING RULES, THE LANGUAGE OF A CONTRACT SHOULD BE INTERPRETED MOST STRONGLY AGAINST THE PARTY WHO CAUSED THE UNCERTAINTY TO EXIST."

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

**DEVELOPER:**

THE LAB HOLDING, LLC  
a California limited liability company

By: \_\_\_\_\_  
as agent and manager

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY:**

CITY OF GARDEN GROVE, a  
California municipal corporation

\_\_\_\_\_  
City Manager

Date: \_\_\_\_\_

Attest:  
\_\_\_\_\_

\_\_\_\_\_  
City Clerk

Approved as to form:

\_\_\_\_\_  
City Attorney

**EXHIBIT "A"**

**GENERAL DESCRIPTION OF THE PROPERTY**

	<b>Address</b>	<b>APN</b>
1	12911 7TH ST	090-172-18
2	11352 ACACIA PKWY	090-172-29
3	12902 7TH ST	090-173-04
4	12912 7TH ST	090-173-05
5	12932 7TH ST	090-173-07
6	11361 GARDEN GROVE BLVD	090-173-09
7	11391 GARDEN GROVE BLVD	090-173-11
8	12911 8TH ST	090-173-16
9	11412 ACACIA PKWY	090-173-22
10	12932 8TH ST	090-174-05
11	12931 9TH ST	090-174-11
12	12941 9TH ST	090-174-10

Each parcel described above will be transferred by its own grant deed in the form provided in Exhibit "D."



**EXHIBIT "A1"**

LEGAL DESCRIPTION  
12911 7TH ST  
A.P.N.: 090-172-18

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 15, TRACT 431, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 49, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

End of Legal Description

**EXHIBIT "A2"**

LEGAL DESCRIPTION  
11352 ACACIA PKWY  
A.P.N.: 090-172-29

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 6 OF TRACT NO. 431 IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 16, PAGE 49 OF MISCELLANEOUS MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE SOUTH 10.00 FEET THEREOF.

End of Legal Description

**EXHIBIT "A3"**

LEGAL DESCRIPTION  
12902 7TH ST  
A.P.N.: 090-173-04

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

PARCEL 1:

THE NORTH 50.00 FEET OF THE SOUTH 410.00 FEET OF THE WEST ONE-HALF OF BLOCK 5 OF GARDEN GROVE HOME TRACT, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP THEREOF RECORDED IN BOOK 4, PAGE 57 OF MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY.

PARCEL 2:

THE NORTH 4.00 FEET OF LOT 1 OF TRACT 644, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP THEREOF RECORDED IN BOOK 20, PAGE 6 OF MISCELLANEOUS MAPS, RECORDS OF SAID ORANGE COUNTY.

End of Legal Description

**EXHIBIT "A4"**

LEGAL DESCRIPTION  
12912 7TH ST  
A.P.N.: 090-173-05

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 2 OF TRACT NO. 644 IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 20 PAGE 6 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE NORTH 4.00 FEET THEREOF.

End of Legal Description

**EXHIBIT "A5"**

LEGAL DESCRIPTION  
12932 7TH ST  
A.P.N.: 090-173-07

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 3 AND THE NORTH 4.0 FEET OF LOT 4 OF TRACT NO. 644, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 20, PAGE 6, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM THE NORTH 8.5 FEET OF SAID LOT 3.

End of Legal Description

**EXHIBIT "A6"**

LEGAL DESCRIPTION  
11361 GARDEN GROVE BLVD  
A.P.N.: 090-173-09

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 5 AND THE WEST 26.33 FEET OF LOT 6 OF TRACT 664, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP THEREOF RECORDED IN BOOK 20, PAGE 6 OF MISCELLANEOUS MAPS, RECORDS OF SAID COUNTY.

End of Legal Description

**EXHIBIT "A7"**

LEGAL DESCRIPTION  
11391 GARDEN GROVE BLVD  
A.P.N.: 090-173-11

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 8 AND THE EASTERLY 30.00 FEET OF LOT 7 OF TRACT NO. 644 IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 20, PAGE 6, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

End of Legal Description

**EXHIBIT "A8"**

LEGAL DESCRIPTION  
12911 8TH ST  
A.P.N.: 090-173-16

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

LOT 13 OF TRACT NO. 644 IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 20, PAGE 6, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

End of Legal Description



**EXHIBIT "A9"**

LEGAL DESCRIPTION  
11412 ACACIA PKWY  
A.P.N.: 090-173-22

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

THE EAST ONE-HALF OF BLOCK 5 OF GARDEN GROVE HOME TRACT, IN THE CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 4, PAGE 57 OF MISCELLANEOUS MAPS, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THE SOUTH 460.00 FEET;

ALSO EXCEPTING THEREFORE THE WEST 50.00 FEET.

End of Legal Description

**EXHIBIT "A10"**

LEGAL DESCRIPTION  
12932 8TH ST  
A.P.N.: 090-174-05

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

THAT PORTION OF BLOCK 6 OF THE GARDEN GROVE HOME TRACT, AS SHOWN ON A MAP RECORDED IN BOOK 4 PAGE 57 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID BLOCK 6, WHICH POINT IS 132.36 FEET SOUTHERLY FROM THE INTERSECTION OF SAID WEST LINE WITH THE WESTERLY EXTENTION OF THS SOUTH LINE OF LOT 8 OF TRACT NO. 631 AS SHOWN ON A MAP RECORDED IN BOOK 20, PAGE 26 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, THENCE EAST 10.00 FEET TO THE SOUTHWEST CORNER OF THE LAND CONVEYED TO RAYMOND F. HEPP AND WIFE BY DEED RECORDED JUNE 30, 1948, IN BOOK 1661, PAGE 385 OF OFFICIAL RECORDS; THENCE EAST ALONG THE SOUTHERLY LINE OF SAID LAND CONVEYED TO HEPP 135.66 FEET TO THE SOUTHEAST CORNER THEREOF; THENCE SOUTH ALONG THE SOUTHERLY EXTENSION OF THE EASTERLY LINE OF SAID LOT 8, 53.00 FEET; THENCE WEST PARALLEL WITH THE SOUTH LINE OF SAID LOT 8, 145.66 FEET TO A POINT IN THE WEST LINE OF SAID BLOCK6; THENCE NORTH 53.00 FEET TO THE POINT OF BEGINNING.

End of Legal Description

**EXHIBIT "A11"**

LEGAL DESCRIPTION  
12931 9TH ST  
A.P.N.: 090-174-11

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

THAT PORTION OF BLOCK SIX OF THE "GARDEN GROVE HOME TRACT", AS SHOWN ON A MAP RECORDED IN BOOK 4, PAGE 57 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EAST LINE OF SAID BLOCK SIX, WHICH POINT IS 113 FEET SOUTHERLY FROM THE INTERSECTION OF THE EAST LINE WITH THE EASTERLY EXTENSION OF THE SOUTH LINE OF LOT SEVEN OF TRACT NO. 631, AS SHOWN ON A MAP RECORDED IN BOOK 20, PAGE 26 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, SAID POINT BEING ALSO THE SOUTHEAST CORNER OF THE LAND CONVEYED TO RUSSELL A. WEIR AND WIFE BY DEED RECORDED SEPTEMBER 24TH, 1948 IN BOOK 1705, PAGE 416 OF OFFICIAL RECORDS; THENCE WEST PARALLEL TO THE SOUTH LINE OF SAID LOT SEVEN AND THE EASTERLY PROLONGATION THEREOF 145.67 FEET, MORE OR LESS, TO THE SOUTHWEST CORNER OF SAID LAND CONVEYED TO WEIR; THENCE SOUTH ALONG THE SOUTHERLY EXTENSION OF THE WESTERLY LINE OF SAID LOT SEVEN, 53 FEET; THENCE EAST PARALLEL TO THE SOUTH LINE OF SAID LOT SEVEN AND THE EASTERLY EXTENSION THEREOF 145.67 FEET, MORE OR LESS, TO THE EAST LINE OF SAID BLOCK SIX; THENCE NORTH 53 FEET TO THE POINT OF BEGINNING.

End of Legal Description

**EXHIBIT "A12"**

LEGAL DESCRIPTION  
12941 9TH ST  
A.P.N.: 090-174-10

All that real property located in the State of California, County of Orange, City of Garden Grove, described as follows:

THAT PORTION OF BLOCK 6 OF THE GARDEN GROVE HOME TRACT, AS SHOWN ON A MAP RECORDED IN BOOK 4, PAGE 57 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EAST LINE OF SAID BLOCK 6, WHICH POINT IS 166 FEET SOUTHERLY FROM THE INTERSECTION OF THE EAST LINE WITH THE EASTERLY EXTENSION OF THE SOUTH LINE OF LOT 7 OF TRACT NO. 631, AS SHOWN ON A MAP RECORDED IN BOOK 20, PAGE 26 OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA, SAID POINT BEING ALSO THE SOUTHEAST CORNER OF THE LAND CONVEYED TO ROBERT E. SCHRANDT AND WIFE BY DEED RECORDED MARCH 25, 1949 IN BOOK 1820, PAGE 207, OF OFFICIAL RECORDS;

THENCE WEST PARALLEL TO THE SOUTH LINE OF SAID LOT 7 AND THE EASTERLY PROLONGATION THEREOF 145.67 FEET, MORE OR LESS, TO THE SOUTHWEST CORNER OF SAID LAND CONVEYED TO SCHRANDT; THENCE SOUTH ALONG THE SOUTHERLY EXTENSION OF THE WESTERLY LINE OF SAID LOT 7, 75.03 FEET TO A POINT IN A LINE WHICH IS PARALLEL TO AND DISTANT 125.00 FEET NORTHERLY OF THE SOUTH LINE OF SAID BLOCK 6, THENCE EASTERLY ALONG SAID PARALLEL LINE 145.67 FEET TO THE EAST LINE OF SAID BLOCK 6; THENCE NORTH 75.03 FEET TO THE POINT OF BEGINNING.

End of Legal Description

**EXHIBIT "B"**

**FORM OF PROMISSORY NOTE SECURED BY DEED OF TRUST**

Principal Amount: \$2,709,030.00

November \_\_\_\_\_, 2016

FOR VALUE RECEIVED, the undersigned, LAB HOLDING LLC, a California limited liability company ("Borrower") promises to pay to the City of Garden Grove, a California municipal corporation ("City") or to order at 11222 Acacia Parkway, Garden Grove, California, 92840, or such other place as City may designate in writing, the principal sum of TWO MILLION SEVEN HUNDRED NINE THOUSAND ONE HUNDRED FIFTY DOLLARS (\$2,709,030.00) plus interest, as set forth below, on the terms specified below.

1. Agreement. This Note is given in accordance with that certain Disposition and Development Agreement, as defined hereafter. The obligations of the Borrower under this Note shall be subject to the terms of the Deed of Trust of even date herewith, which secures performance under this Note.

2. Definitions. The terms set forth in this section shall have the following meanings in this Note. Capitalized terms not defined in this Note shall have the same meanings as defined in the Deed of Trust, the terms of which are incorporated into this Note by this reference.

(a) "Deed of Trust" shall mean that certain Deed of Trust, of even date herewith, executed by Borrower for the benefit of City, which Deed of Trust secures the obligations of this Note.

(b) "Loan" shall mean the loan in the amount of 2,709,030.00 by City to Borrower, which Loan is the subject of this Note.

(c) "Note" shall mean this Promissory Note Secured by Deed of Trust.

(d) "Parties" shall mean City and Borrower.

(e) "Property" shall mean that certain real property described on Exhibit "A," attached hereto and incorporated herein, together with all improvements, and fixtures now or hereafter constructed, placed or located on the Property.

(f) "Disposition and Development Agreement" or "DDA" shall mean that certain Disposition and Development Agreement, of even date herewith between City and Borrower.

(g) "Term" shall mean the term of this Note, which shall begin on the date first set forth above and shall end on November \_\_\_\_\_, 2021.

3. Repayment.

(a) Monthly Interest-Only Payments. Starting on November \_\_\_\_\_, 2016, and continuing thereafter from month-to-month until November \_\_\_\_\_, 2021, when principal and accrued interest thereon, if any, are due and payable, Borrower shall make monthly payments to City, or to order, in advance on the first day of each calendar month, of interest only at the rate of four percent per annum (4%) computed on the basis of a 360-day year, in the amount of Nine Thousand Thirty Dollars and Fifty Cents (\$9,030.50).

(b) Repayment in Full. At the end of the Term of this Note, the entire unpaid principal balance and all accrued interest, if any, shall be due and payable. Furthermore, the total amount of the unpaid principal owed under this Note shall immediately become due and payable in the event of a default by Borrower under this Note or the Deed of Trust. Failure to declare such amounts due shall not constitute a waiver on the part of City to declare them due in the event of a subsequent default.

(c) Terms of Payment. All amounts due and payable under the Note are payable at the Office of City at the address provided above, or at such other place or places as City may designate to Borrower in writing from time to time. Any payment under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts and which on the respective dates on which such payments are due shall be in immediately available funds.

(d) Prepayments. Borrower may prepay all or part of the principal balance plus applicable interest due under this Note without penalty.

4. Prohibition Against Transfer of Interest. Borrower shall not make any transfer, sale, assignment or conveyance, or transfer in any other form, other than in accordance with the terms of this Note or the Deed of Trust. If any such transfer is made, all amounts due under this Note shall become immediately due and payable without further notice by City, as set forth herein. The following events shall not be considered a transfer of interest: (a) a change in ownership of Borrower as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of Borrower's stock on a national exchange or between Borrower's parent company, if any, and any subsidiary, affiliate, related entity, or other entity that controls, is controlled by, or is under common control with Borrower; (c) the Transfer of this Agreement to Borrower's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with Borrower; or (d) a collateral assignment of Borrower's interest in this Note to a lender as security for any indebtedness of Borrower to the lender. Borrower shall not be required to obtain City's consent and City shall have no right to delay, alter, or impede any of the foregoing

transactions or combinations thereof, but such transfer of interest shall be effective only upon not less than sixty (60) days written notice to City.

5. Security. The Deed of Trust, dated the same date as this Note, secures this Note.

6. Waivers.

(a) Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at City's sole discretion and that City may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by City with any person or party now or hereafter liable for payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of Borrower under this Note, either in whole or in part.

(c) The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights:

(i) to offset, deduct, or withhold any payments or charges due under this Note for any reasons whatsoever;

(ii) of presentment for payment, demand, protest and notices of dishonor and protest made by City; and

(iii) with respect to City's diligence in taking any action to collect any sums owing under this Note or in proceeding against any of City's rights and interests in and to properties securing payment of this Note.

7. Attorney Fees and Costs. Borrower agrees, that if any amounts due under this Note are not paid when due, in addition to any such past due amounts, Borrower shall pay, all costs and expenses of collection and reasonable attorney fees paid or incurred by City in connection with the collection or enforcement of this Note; whether or not suit is filed.

8. Joint and Several Obligations. This Note is the joint and several obligation of all makers, sureties, guarantors, and endorsers, and shall be binding upon them and their successors and assigns.

9. Deed of Trust Acceleration. This Note is secured by a Deed of Trust on the Property. The Deed of Trust provides for acceleration of the payments due under this Note, along with applicable interest, as set forth in Section 10, below, in the event of default (after expiration of any applicable cure period) under the Deed of Trust or this Note.

10. Default. Borrower shall be in default under this Note if Borrower: (i) fails to pay any money when due under this Note; (ii) breaches any representation or covenant made in this Note in any material respect; or (iii) breaches any provision of the Deed of Trust.

All covenants, conditions, and agreements contained in this Note and the Deed of Trust are hereby made a part of this Note, and Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all charges owing, shall, at the option of City hereof, become immediately due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum ("Default Rate"), compounded annually upon the failure of the Borrower to make any payment hereunder, as and when due (after expiration of any applicable cure period); upon the failure of Borrower to perform or observe any other term or provision of this Note; or upon the occurrence of any event (whether termed default, event of default, or similar term) which (after the expiration of any applicable cure period) under the terms of this Note or the Deed of Trust shall entitle City to exercise rights or remedies thereunder.

11. Governing Law. This Note shall be construed in accordance with and be governed by the laws of the State of California.

12. Severability. If any provision of this Note shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

13. Time. Time is of the essence in this Note.

14. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay by City in taking, action with respect to such breach, default or failure, or any form of previous waiver of any similar or unrelated breach, default or failure; and waiver of any term of this Note or the Deed of Trust or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

15. Amendments and Modifications. This Note may not be changed orally, but only by an amendment in writing signed by Borrower and City.

16. Notices. All notices required in this Note shall be sent in accordance with Section 18 of the Deed of Trust.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note as of the day and year first above written.

[SIGNATURE PAGE FOLLOWS]



LAB HOLDING, LLC  
a California limited liability company

By: \_\_\_\_\_  
as agent and manager

By: \_\_\_\_\_

Date:

By: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT "A" TO PROMISSORY NOTE

GENERAL DESCRIPTION OF THE PROPERTY

	<b>Address</b>	<b>APN</b>
1	12911 7TH ST	090-172-18
2	11352 ACACIA PKWY	090-172-29
3	12902 7TH ST	090-173-04
4	12912 7TH ST	090-173-05
5	12932 7TH ST	090-173-07
6	11361 GARDEN GROVE BLVD	090-173-09
7	11391 GARDEN GROVE BLVD	090-173-11
8	12911 8TH ST	090-173-16
9	11412 ACACIA PKWY	090-173-22
10	12932 8TH ST	090-174-05
11	12931 9TH ST	090-174-11
12	12941 9TH ST	090-174-10

**EXHIBIT "C"**

FORM OF DEED OF TRUST

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove  
Attn.: City Clerk  
11222 Acacia Parkway  
Garden Grove, CA 92840

No fee document pursuant to  
Government Code Section 27383

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APN: \_\_\_\_\_

DEED OF TRUST AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT ("Deed of Trust") made this \_\_\_\_\_ day of November, 2016, by trustor Lab Holding, LLC, a California limited liability company ("LAB"), and trustee \_\_\_\_\_ ("Trustee"), for the benefit of the City of Garden Grove, a California municipal corporation, as beneficiary ("CITY").

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited, the receipt of which is hereby acknowledged, LAB, hereby irrevocably grants, transfers, conveys and assigns to CITY, IN TRUST, WITH POWER OF SALE, for the benefit and security of CITY, under and subject to the terms and conditions hereinafter set forth, LAB's fee interest in the property located in Orange County, California, described in the attached Exhibit "A" and more commonly known as \_\_\_\_\_ [description] \_\_\_\_\_ (the "Property").

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto;

TOGETHER WITH any and all buildings, improvements and landscaping of every kind and description now or hereafter erected thereon, and all property of LAB now or hereafter affixed to or placed upon the Property (sometimes collectively referred to as the "Improvements");

TOGETHER WITH all right, title and interest of LAB, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and areas of land adjacent to or used in connection with the Property;

TOGETHER WITH all estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all oil, gas and mineral rights (including royalty and leasehold rights relating thereto), all water and water rights and shares of stock relating thereto, and any and all awards made for the taking by eminent domain or by and proceeding or purchase in lieu thereof of the whole or any part of such property; and

TOGETHER with all articles of personal property or fixtures now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefore, whether or not the same are, or shall be attached to said building or buildings in any manner.

All of the foregoing, together with the Property, is herein referred to as the "Security".

To have and to hold the Security together with acquittances to the Trustee, its successors and assigns forever.

TO SECURE to CITY the obligations and any payments required by that certain Promissory Note, between LAB and CITY, of even date herewith, along with any exhibits attached thereto ("Note");

TO SECURE to CITY the performance by LAB of all agreements and adherence to all conditions set forth herein and in the Note;

TO SECURE all renewals, extensions, supplements and other modifications of any of the foregoing, including without limitation modifications that are evidenced by new or additional documents or that change the rate of interest on any obligation; and

TO SECURE the payment of all other sums, with interest thereon, advanced in accordance herewith, to protect the security of this Deed of Trust; and the performance of the covenants and agreements of LAB herein contained.

All of the foregoing obligations, as well as those identified hereafter, are referred to collectively herein as the "LAB Covenants."

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, LAB COVENANTS  
AND AGREES AS FOLLOWS:

1. Purpose. Pursuant to the Disposition and Development Agreement of even date herein, CITY has transferred the Property to LAB, which will reuse the existing buildings and rehabilitate them for reuse purposes to attract commercial uses consistent with the mixed use zoning established for the Property by the City of Garden Grove. As set forth in said Disposition and Development Agreement, the Consideration for the Property was \$3,386,437.50 ("Consideration"), of which \$677,257.50 has been paid by LAB to CITY. The remaining \$2,709,030.00 of the Consideration is to be paid by LAB in accordance with the Note. This Deed of Trust secures the Note for that 2,709,030.00 remaining balance of the Consideration.

2. Definitions. The terms set forth in this section shall have the following meanings in this Deed of Trust. Any capitalized terms not defined in this Deed of Trust shall have the same meanings as defined in the Disposition and Development Agreement and the Note, the terms of which have been incorporate into this Deed of Trust.

- a. "LAB" shall mean the trustor, Lab Holding, LLC.
- b. "Deed of Trust" shall mean this Deed of Trust and Security Agreement.
- c. "Loan" shall have the same meaning as set forth in the Promissory Note.
- d. "Note" shall mean that certain Promissory Note secured by this Deed of Trust, of even date herewith, executed by the LAB for the benefit of the CITY.
- e. "CITY" shall mean the City of Garden Grove, a California municipal corporation.
- f. "Disposition and Development Agreement" shall mean the Disposition and Development Agreement, executed by LAB and the CITY, of even date herewith.
- g. "Property" shall mean that certain real property legally described on Exhibit "A," attached to this Deed of Trust and incorporated herein, together with all Improvements, and fixtures now or hereafter constructed, placed or located on the Property.
- h. "Term" shall mean the term of the Note, the obligations of which are secured by this Deed of Trust.

3. LAB 's Estate. LAB represents and warrants that it is lawfully seized of the estate hereby conveyed, that it has the right to grant and convey the Security, and that other than this Deed of Trust, and the Note, the Security is not encumbered by any senior liens. LAB agrees to warrant and defend generally the title to the Security against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage of any title insurance policy insuring CITY's interest in the Security.

4. Payment of Sums Owed. LAB shall promptly pay to CITY, when due, any amounts due under the Note, including, but not limited to amounts due under the Loan as set forth in the Note.

5. LAB Covenants. LAB will observe and perform all of the covenants and agreements of the LAB Covenants, as more specifically contained herein.

6. Transfer of Property by LAB. Prior to expiration of the Term, LAB agrees that LAB shall not sell or transfer the Security except as may be provided in the Note and the Disposition and Development Agreement, without the prior written consent of CITY. The following events shall not be considered a transfer of interest: (a) a change in ownership of LAB as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of LAB's stock on a national exchange or between LAB's parent company, if any, and any subsidiary, affiliate, related entity, or other entity that controls, is controlled by, or is under common control with LAB; (c) the Transfer of this Agreement to LAB's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with LAB; or (d) a collateral assignment of LAB's interest in this Agreement to a lender as security for any indebtedness of LAB to the lender. LAB shall not be required to obtain City's consent and City shall have no right to delay, alter, or impede any of the foregoing transactions or combinations thereof, but such transfer of interest shall be effective only upon not less than sixty (60) days written notice to City.

7. Liens. LAB shall not cause, incur, suffer or permit to exist or become effective any lien, encumbrance or charge upon all or any part of the Property, or any interest therein other than (i) easements, rights of way, covenants, conditions, restrictions, liens and other title limitations as provided in the Disposition and Development Agreement, or as approved in writing by CITY, and (ii) immaterial easements and rights of way which are required by governmental authorities as a condition to the use of the Security (collectively, the "Permitted Encumbrances"). LAB shall pay and promptly discharge, at LAB's cost and expense, all liens, encumbrances and charges upon the Security, or any part thereof or interest therein other than the Permitted Encumbrances. If LAB shall fail to remove and discharge any such lien, encumbrance, or charge, then, in addition to any other right or remedy of CITY, CITY may, but shall not be obligated to, discharge the same, without inquiring into the validity of such lien, encumbrance or charge nor inquiring into the existence of any defense or offset thereto, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or

charge by depositing in court a bond or the amount claimed, or otherwise giving security for such claim, in such manner as is or may be prescribed by law. LAB shall, immediately upon demand by CITY, pay to CITY an amount equal to all costs and expenses incurred by CITY in connection with the exercise by CITY of the foregoing right to discharge any such lien, encumbrance or charge, together with interest thereon from the date of such expenditure and, until paid, such sums shall be secured hereby.

8. Preservation and Maintenance of Security. LAB agrees that at all times prior to full payment of the sums owed under the Note, secured by this Deed of Trust, that the LAB will, maintain, preserve and keep the Security or cause the Security to be maintained and preserved in good condition and repair and in a prudent and businesslike manner.

9. Protection of CITY's Security.

- a. If LAB fails to perform the LAB Covenants or any obligations contained in this Deed of Trust, or the Note, if an Event of Default, as defined hereafter, occurs, or if any action or proceeding is commenced which materially affects CITY's interest in the Security, then CITY, at its option and upon notice to LAB, may make such appearances, disburse such sums and take such action as it determines necessary to protect CITY's interest, including but not limited to, disbursement of reasonable attorney's fees and necessary repairs to the Security.
- b. Any amounts disbursed by CITY pursuant to this Section will become an indebtedness of LAB secured by this Deed of Trust. Unless LAB and CITY agree to other terms of payment, such amount will be payable upon notice from CITY to LAB requesting payment thereof, and will bear interest of ten percent (10%) from the date of disbursement unless payment of interest at such rate would be contrary to applicable law, in which event such amounts will bear interest at the highest rate permissible under applicable law. Nothing contained in this Section will require CITY to insure any expense or take any action hereunder.
- c. In the event that the LAB fails to observe or perform any obligations or LAB Covenants under this Deed of Trust, or the Note, then the CITY may hold LAB in default, treat the occurrence as an Event of Default pursuant to this Deed of Trust, and take any actions available under this Deed of Trust, or the Note, including, but not limited to, acceleration of any payments due or sale of the Security, as provided for hereafter.

10. Events of Default. Each of the following shall constitute an event of default ("Event of Default"): (a) the occurrence of any default under the provisions of this Deed of Trust, or the Note; or (b) the failure to make any payment or perform any of LAB's other obligations now or hereafter secured by this Deed of Trust (subject to any applicable cure period).

11. Acceleration, Remedies and Notice. If LAB is in default of any obligations under this Deed of Trust (including the LAB Covenants), or the Note, or at the occurrence of any Event of Default, then at the option of CITY, the amount of any payment related to any such default, the Loan amount under the Note, as applicable, and any other indebtedness and other obligations secured hereby shall immediately become due and payable without presentment, protest notice or demand, all of which are hereby expressly waived, upon written notice by CITY to LAB and no omission on the part of CITY to exercise such option when entitled to do so shall be construed as a waiver of such right.

Upon LAB's breach of any covenant or agreement in this Deed of Trust (including, but not limited to, the covenant to pay, when due, any sums secured by this Deed of Trust), or the Note, or upon the occurrence of an Event of Default, CITY, prior to acceleration of the sums due under the Note, shall provide notice by certified mail, return receipt requested, to LAB specifying:

- a. the breach or Event of Default;
- b. if the breach or Event of Default is curable, and the action required to cure such breach;
- c. a date, not less than thirty (30) days from the date the notice is effective, by which such breach, if curable, is to be cured; and
- d. if the breach is curable, that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums due under the Note, as secured by this Deed of Trust, as well as sale of the Security (collectively the "Notice of Default")

If the breach or Event of Default is not curable or is not cured on or before the date specified in the Notice of Default, CITY, at its option, may:

- i. declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by California law;
- ii. commence an action to foreclose this Deed of Trust as a mortgage, or specifically enforce any of the covenants hereof;



- iii. deliver to Trustee a written declaration of default and demand for sale, pursuant to the provisions for notice of sale as the law may require; or
- iv. exercise all other rights and remedies provided herein, in the instruments by which LAB acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby; or provided by law.

The Notice of Default shall also inform LAB of LAB's right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of default or any other defense of LAB to acceleration and sale.

CITY shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this Section.

12. Foreclosure by Power of Sale. Should CITY elect to foreclose by exercise of the power of sale herein contained, CITY shall notify Trustee and shall deposit with Trustee this Deed of Trust, and the Note, which is secured hereby (and the deposit of which shall be deemed to constitute evidence that unpaid amounts due pursuant to the Note are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

- a. Upon receipt of such notice of election to foreclose from CITY, Trustee shall cause to be recorded, published and delivered to LAB the Notice of Default, as outlined above, and CITY'S notice of election to sell as then required by law and by this Deed of Trust. Trustee shall, without demand on LAB, after lapse of such time as may then be required by law and after recordation of a Notice of Default and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise to the LAB according to law, at public auction to the highest bidder, for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed or any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation Trustee or CITY, may purchase at such sale, and LAB hereby covenants to warrant and defend the title of such purchaser or purchasers.
- b. After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee

shall apply the proceeds of sale to payment of: (i) the unpaid amounts due pursuant to the Note; (ii) all other sums then secured hereby, as applicable; and (iii) the remainder, if any, to LAB.

- c. Trustee may postpone sale of all or any portion of the Security by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

13. LAB's Right to Reinstate. Notwithstanding CITY's acceleration of the sums secured by this Deed of Trust, or other actions taken in response to any Event of Default of LAB, LAB shall have the right to have any proceedings commenced by CITY, to enforce this Deed of Trust, discontinued at any time prior to five (5) days before sale of the Security pursuant to the power of sale contained in this Deed of Trust or at any time prior to entry of a judgment enforcing this Deed of Trust if:

- a. LAB pays CITY all sums which would be then due under this Deed of Trust, or the Note, as applicable;
- b. LAB cures all breaches of any other covenants or agreements of LAB contained in this Deed of Trust, or the Note, as applicable
- c. LAB pays all reasonable expenses incurred by CITY and Trustee in enforcing the covenants and agreements of LAB contained in this Deed of Trust, and in enforcing CITY's and Trustee's remedies, including, but not limited to, reasonable attorney's fees, as applicable; and
- d. LAB takes such action as CITY may reasonably require to assure that the lien of this Deed of Trust, CITY's interest in the Security and LAB's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired.

Upon such payment and cure by LAB, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

14. Forbearance by CITY Not a Waiver. Any forbearance by CITY in exercising any right or remedy shall not be a waiver of the exercise of any such right or remedy, nor shall acceptance by CITY of any payment provided for in the Note constitute a waiver of the CITY's right to require prompt payment of any remaining amounts owed. The procurement of insurance or the payment of taxes or other liens or charges by CITY shall not be a waiver of CITY's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

15. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or any other

document, including the Note, or afforded by law or equity, and may be exercised concurrently, independently or successively at the discretion of CITY.

16. Reconveyance. Upon payment of all sums secured by this Deed of Trust, as set forth in the Note, CITY shall request Trustee to reconvey the Security and shall surrender this Deed of Trust and the Note to Trustee. Trustee shall reconvey the Security without warranty and without charge to the person or persons legally entitled thereto. Such person or persons shall pay all costs of recordation, if any.

17. Substitute Trustee. CITY, at its option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. The successor trustee shall succeed to all the title, power and duties conferred upon Trustee herein and by applicable law.

18. Notice. All notices, demands and requests which may be given, or which are required to be given by any party to this Deed of Trust, and any exercise of a right of termination provided by this Deed of Trust, shall be in writing and shall be deemed effective either: (1) on the third (3<sup>rd</sup>) business day after being sent, by certified or registered mail, return receipt requested, addressed to the intended recipient at the address specified below; (2) on the first (1<sup>st</sup>) business day after being deposited into the custody of a nationally recognized overnight delivery service (i.e., FedEx Corporation, UPS, or DHL) addressed to such party at the address specified below; or (3) on the business day sent via electronic mail in Portable Document Format (PDF) with confirmation of receipt, in which case notice shall be deemed delivered upon receipt of confirmation of receipt. For purposes of this section, the addresses of the parties for all notices are as follows:

If to LAB:     Lab Holding LLC  
                  Attn.: \_\_\_\_\_  
                  709 Randolph Ave.  
                  Costa Mesa, CA 92626

If to CITY:     City of Garden Grove,  
                  Attn.: City Manager  
                  11222 Acacia Parkway  
                  Garden Grove, CA 92840

19. Governing Law. This Deed of Trust shall be governed by the laws of the State of California.

20. Severability. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court or other body of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable. If the lien of this Deed of Trust is

invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid or applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

21. Captions. The captions and headings in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

22. Exhibits. Any exhibits referred to in this Deed of Trust are incorporated in this Deed of Trust by such reference.

23. Subordination. This Deed of Trust shall be automatically subordinate to a deed of trust, to be executed by LAB or LAB's successor in interest and recorded in Orange County, California, to secure a loan (hereafter referred to as a "construction loan") obtained for the purpose of the construction of the rehabilitation work on the Property, provided that the conditions listed below are satisfied. For purposes of this Deed of Trust, "construction loan" shall include any advance of funds to LAB by the lender for the purpose of the construction of the rehabilitation work on the Property and secured by a lien on the Property, whether in the form of a mortgage, deed of trust, or other security instrument in favor of the lender. The following are the conditions to this subordination:

- a. At the time of recordation of the deed of trust securing the construction loan, no unrescinded Notice of Default of this Deed of Trust appears of record.
- b. Any funds derived from the construction loan secured by the Property shall be used only for the construction of improvements on the Property and, to the extent permitted in this Deed of Trust, for the payment of loan fees, interest, or charges directly connected with the construction of improvements on the Property. "Construction of improvements" as used in this Deed of Trust shall mean the rehabilitation work associated with the Cottage Industries project, including the actual costs of labor and materials to rehabilitate the structures on the Property with the usual appurtenances, including parking facilities, driveway, and fencing; aggregate costs of general improvements, including engineering fees, architectural fees, drafting fees, and permit and inspection fees.
- c. The total amount of the construction loan shall not exceed thirty (30) percent of the anticipated value of the Property after completion of the construction of improvements financed by the construction loan, as determined by the lender. For example, if the value of the Property is estimated at \$4 million after completion of the rehabilitation work, the construction loan shall not exceed \$1.2 million.

- d. No portion of the construction loan shall be used to pay loan fees, interest, or other charges not directly connected with the construction of improvements on the Property.
- e. The proceeds of the construction loan shall be disbursed by the Lender either through its own offices or through a bonded disbursement control agency only after inspection of the work completed on the Property and presentation of vouchers signed by LAB or its successors in interest for the cost of work, labor, or materials actually performed or used in the construction of improvements on the Property.
- f. The remaining terms and provisions of the construction loan shall be as required by the Lender.

CITY shall, within fifteen (15) days after receipt of a written request therefor from LAB, execute a separate agreement of subordination, in recordable form, in favor of the construction loan to which this Deed of Trust is hereby subordinated, and deliver the subordination agreement to the lender or the lender's title company designated by LAB. The terms of any such subordination agreement shall prevail over the subordination provisions provided for in this Deed of Trust. CITY's City Manager shall have authority to approve and execute such subordination agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, LAB has executed this Deed of Trust as of the date first written above.

LAB HOLDING, LLC  
a California limited liability company

By: \_\_\_\_\_  
as agent and manager

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

EXHIBIT "A" TO DEED OF TRUST

GENERAL DESCRIPTION OF THE PROPERTY

	<b>Address</b>	<b>APN</b>
1	12911 7TH ST	090-172-18
2	11352 ACACIA PKWY	090-172-29
3	12902 7TH ST	090-173-04
4	12912 7TH ST	090-173-05
5	12932 7TH ST	090-173-07
6	11361 GARDEN GROVE BLVD	090-173-09
7	11391 GARDEN GROVE BLVD	090-173-11
8	12911 8TH ST	090-173-16
9	11412 ACACIA PKWY	090-173-22
10	12932 8TH ST	090-174-05
11	12931 9TH ST	090-174-11
12	12941 9TH ST	090-174-10

A trust deed will be recorded for each parcel described above.

**EXHIBIT "D"**

**FORM OF GRANT DEED**

**RECORDING REQUESTED BY  
AND WHEN RECORDED RETURN TO:**

Lab Holding, LLC  
709 Randolph Ave.  
Costa Mesa, CA 92626

**APN:**

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[SPACE ABOVE FOR RECORDER'S USE ONLY]

**GRANT DEED**

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the CITY OF GARDEN GROVE, a California municipal corporation ("Grantor") hereby grants to LAB HOLDING, LLC, the real property located in the City of Garden Grove, County of Orange, State of California, that is described on "Exhibit A" attached hereto and incorporated herein by reference.

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of the date set forth below.

Dated: November \_\_\_\_\_, 2016

**CITY:**

---



City Manager

Attest:

---

City Clerk

**EXHIBIT "A" to GRANT DEED**

**LEGAL DESCRIPTION OF THE PROPERTY**

(APN \_\_\_\_\_)

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

STATE OF CALIFORNIA                         )  
    )  
 COUNTY OF ORANGE                         )

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

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

WITNESS my hand and official seal.

\_\_\_\_\_  
 Notary Public

**EXHIBIT "E"**

**FORM OF ACCESS AGREEMENT**

**ACCESS AGREEMENT**

THIS ACCESS AGREEMENT (herein called this "Agreement") is made and entered into as of \_\_\_\_\_, 2016, by CITY OF GARDEN GROVE (herein called "Grantor"), and LAB HOLDING, LLC (herein called "Grantee").

**WITNESSETH:**

WHEREAS, Grantor is the owner of the real property more particularly described on Exhibit A, attached hereto and incorporated herein by reference (herein called the "Property");

WHEREAS, concurrently with the execution of this Agreement, Grantor and Grantee contemplate entering into a Disposition and Development Agreement related to the Property;

WHEREAS, Grantee has requested the right of entry upon and access to the Property for the purpose of preparing a survey, undertaking tests, inspections and other due diligence activities (herein called the "Due Diligence Activities") in connection with the proposed acquisition by Grantee of the Property;

WHEREAS, Grantor has agreed to grant to Grantee, and Grantee has agreed to accept from Grantor, a non-exclusive, revocable license to enter upon the Property to perform the Due Diligence Activities in accordance with the terms and provisions of this Agreement;

WHEREAS, Grantor and Grantee desire to execute and enter into this Agreement for the purpose of setting forth their agreement with respect to the Due Diligence Activities and Grantee's entry upon the Property.

NOW, THEREFORE, for and in consideration of the foregoing premises, the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee do hereby covenant and agree as follows:

1. Access by Grantee.

(a) Subject to Grantee's compliance with the terms and provisions of this Agreement, until the earlier to occur of (a) the Close of Escrow; or (b) the earlier termination of this Agreement, Grantee and Grantee's agents, employees, contractors, representatives and other designees (herein collectively called "Grantee's Designees") shall have the right to enter upon the Property for the purpose of conducting the Due Diligence Activities. For any parcel occupied by a tenant of Grantor, Grantee shall provide Grantor at least 48 hours' notice of Grantee's intent to enter.

(b) Grantee expressly agrees that in the event the Property is altered or disturbed in any manner in connection with the Due Diligence Activities, Grantee shall return the Property to the condition existing prior to the Due Diligence Activities to the extent reasonably practicable, and Grantee shall indemnify, defend and hold Grantor harmless from and against any and all claims, liabilities, damages, losses, costs and expenses of any kind or nature whatsoever (including, without limitation, attorneys' fees and expenses and court costs) suffered, incurred or sustained by Grantor as a result of, by reason of, or in connection with any such alterations or disturbance of the Property.

2. Lien Waivers. Upon receipt of a written request from Grantor, Grantee will use reasonable efforts to obtain and provide Grantor with lien waivers following completion of the Due Diligence Activities from each and every contractor, material man, engineer, architect and surveyor who might have lien rights, in form and substance reasonably satisfactory to Grantor and its counsel, if any. Grantee shall indemnify Grantor from and against any claims or demands for payment, or any liens or lien claims made against Grantor or the Property as a result of the Due Diligence Activities.

3. Insurance. Grantee shall, and shall cause all of Grantee's Designees performing the Due Diligence Activities to, procure or maintain reasonable commercial general liability insurance issued by an insurer reasonably satisfactory to Grantor covering each of the Due Diligence Activities.

4. Successors. To the extent any rights or obligations under this Agreement remain in effect, this Agreement shall be binding upon and enforceable against, and shall inure to the benefit of, the parties hereto and their respective heirs, legal representatives, successors and permitted assigns.

5. Limitations. Grantor does not hereby convey to Grantee any right, title or interest in or to the Property, but merely grants the specific rights and privileges hereinabove set forth.

6. Notices. All notices, demands and requests which may be given, or which are required to be given by any party to this Agreement, and any exercise of a right of termination provided by this Agreement, shall be in writing and shall be deemed effective either: (1) on the third (3<sup>rd</sup>) business day after being sent, by certified or registered mail, return receipt requested, addressed to the intended recipient at the address specified

below; (2) on the first (1<sup>st</sup>) business day after being deposited into the custody of a nationally recognized overnight delivery service (i.e., FedEx Corporation, UPS, or DHL) addressed to such party at the address specified below; or (3) on the business day sent via electronic mail in Portable Document Format (PDF) with confirmation of receipt, in which case notice shall be deemed delivered upon receipt of confirmation of receipt. For purposes of this section, the addresses of the parties for all notices are as follows:

Grantee: Lab Holding, LLC  
709 Randolph Ave.  
Costa Mesa, CA 92840  
Attn.: \_\_\_\_\_  
Phone: \_\_\_\_\_

Grantor: City of Garden Grove  
Attn.: City Manager  
11222 Acacia Parkway  
Garden Grove, CA 92840  
Phone: (714) 741-5100

7. Governing Law. This Agreement shall be construed, enforced and interpreted in accordance with the laws of the State of California. Venue for the resolution of any disputes or the enforcement of any rights arising out of or in connection with this agreement shall be in a court of competent jurisdiction in the County of Orange.

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

IN WITNESS WHEREOF, Grantor and Grantee have caused this Agreement to be executed and sealed, all the day and year first written above.

GRANTOR:

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
City Manager

GRANTEE:

THE LAB HOLDING, LLC  
a California limited liability company

By: \_\_\_\_\_  
as agent and manager

By: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT F**

**SCHEDULE OF PERFORMANCE**

<b>ITEM</b>	<b>MILESTONE</b>	<b>RESPONSIBLE PARTY</b>	<b>PROPOSED COMPLIANCE DATE(S)</b>	<b>ESTIMATED TIMELINE</b>
1	Effective Date of DDA.	N/A	Within 15 days following approval by City Council.	May 25 2016
2	Opening of escrow.	City and Developer	Within 10 days following execution of the DDA by Parties.	June 4 2016
3	Preliminary project design and submittal to the City for review.	Developer	Within 90 days following of Opening of Escrow.	Sept. 2 2016
4	Close of escrow pursuant to Section 2.3 of the DDA.	City and Developer	Not later than November 21, 2016.	Nov. 21 2016
5	Prepare and submit 100% Schematic Design to the City for review.	Developer	Within one 120 days following Close of Escrow.	March 21 2017
6	Planning Review. City to expeditiously process and review plans, associated CEQA approvals and related documents pursuant to Section 19.3 of the DDA. Developer to conduct community outreach and public engagement.	City and Developer	Not later than May 31, 2017.	May 21 2017
7	Complete 100% Construction Documents and submit to City for review and approval.	Developer	Not later than August 31, 2017	Aug. 21 2017
8	Building Review of Construction Documents. City to expeditiously process and review plans associated with permits and approvals pursuant to Section 19.3 of the DDA.	City	Not later than October 31, 2017.	Oct. 21 2017
9	Commence construction. Developer shall obtain Building Permits for construction of improvements and rehabilitation pursuant to Section 19.2 of the DDA.	Developer	Within 12 months following Close of Escrow.	May 25 2017
10	Completion of Construction. Developer agrees to complete rehabilitation and reuse of existing buildings on the Property pursuant to Section 19 of the DDA.	Developer	Within 36 months following DDA approval by the City Council.	May 25 2019