

## AGREEMENT BIBLIOGRAPHY

Agreement With:	Lab Holding, LLC
Agreement Type:	Assignment and Assumption Agreement relating to the Disposition and Development Agreement, Lease, and the Sublease for the Cottage Industries Project
Date Approved:	05 10 2016
Start Date:	05 10 2016
End Date:	05 09 2021
Contract Amount:	\$3,386,287.50
Comments	File No. 108.2-2016 Real Property
Insurance Expiration:	N/A
Date Archived:	<b>ARCHIVED 12/20/2016</b>

DISPOSITION AND DEVELOPMENT AGREEMENT

BY AND BETWEEN

THE CITY OF GARDEN GROVE

AND

LAB HOLDING LLC

REGARDING THE DISPOSITION OF TWELVE CIVIC  
CENTER PROPERTIES FOR THE COTTAGE INDUSTRIES  
PROJECT – RESOLUTION NO. 9353-16

APPROVED

MAY 10, 2016

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



**CITY OF GARDEN GROVE  
OFFICE OF THE CITY CLERK**

*Safeguard all official records of the City.  
Conduct municipal elections and oversee legislative administration.  
Provide reliable, accurate, and timely information to the  
City Council, staff, and the general public.*

Bao Nguyen  
Mayor

Steven R. Jones  
Mayor Pro Tem

Christopher V. Phan  
Council Member

Phat Bui  
Council Member

Kris Beard  
Council Member

May 17, 2016

Lab Holding, LLC  
709 Randolph Avenue  
Costa Mesa, CA 92626

Attention: Shaheen Sadeghi

Enclosed is an original copy of the Disposition and Development Agreement by and between the City of Garden Grove and Lab Holding LLC, for development of the Cottage Industries Project.

The Agreement was approved by the City Council at their meeting held on May 10, 2016.

Sincerely,

Kathleen Bailor, CMC  
City Clerk

  
By: Teresa Pomeroy, CMC  
Deputy City Clerk

Enclosure

c: Finance Department  
Finance Department/Real Property  
Community and Economic Development

## 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: SHAUKEEN SIDDEQUI

Date: MAY 05 2016

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


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


**CITY:**

CITY OF GARDEN GROVE, a California  
municipal corporation

  
City Manager

Date: 5/12/16

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

PROMISSORY NOTE SECURED BY DEED OF TRUST

Principal Amount: \$2,709,030.00

December 8, 2016

FOR VALUE RECEIVED, the undersigned, COTTAGE INDUSTRIES, 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 THIRTY 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 December 7, 2021.

3. Repayment.

(a) Monthly Interest-Only Payments. Starting on December 8, 2016, and continuing thereafter from month-to-month until December 7, 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.

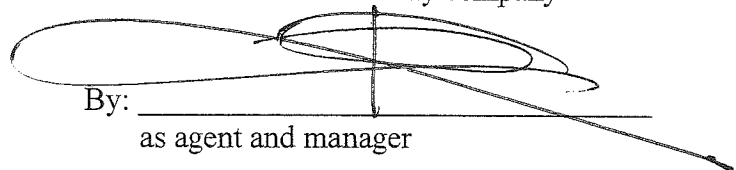
14. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay by City in taking, action with respect to such breach, default or failure, 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.

COTTAGE INDUSTRIES, LLC  
a California limited liability company

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

By: SHANEEN S. SHERIDAN

Date: 12-07-2016

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

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

**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: SHAHREZ SADRAGHI

Date: MAY - 05 - 2016

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

**SELLER'S CERTIFICATION OF NON-FOREIGN STATUS UNDER  
FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ("FIRPTA") (26 U.S.C. 1445)**

File No: 794936-A

June 10, 2016

**All items in this form must be completed by each seller. All sellers must have a taxpayer identification number (TIN) even if sellers CANNOT provide this certification and FIRPTA withholding must be done. A TIN is not an indication that the seller is a resident alien or U.S. Citizen.**

Section 1445 of the Internal Revenue Code provides that a transferee (buyer) of a U.S. real property interest must withhold tax if the transferor (seller) is a foreign person.

**THIS SECTION FOR INDIVIDUAL TRANSFEROR; EACH SELLER MUST COMPLETE AND SIGN. ADD SIGNATURE LINES OR MAKE COPIES FOR EACH SELLER TO COMPLETE:**

To inform the transferee (buyer) that withholding of tax is not required upon my disposition of a U.S. real property interest, the undersigned seller hereby certifies the following:

1. I AM ( ) AM NOT ( ) a nonresident alien for purposes of U.S. income taxation (if you are a nonresident alien, withholding will be done unless another exemption applies);
2. My U.S. Taxpayer Identification (Social Security) Number is \_\_\_\_\_;
3. My home address is \_\_\_\_\_.

I understand that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement I have made here could be punished by fine, imprisonment, or both. Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete.

\_\_\_\_\_  
Date

\_\_\_\_\_  
City of Garden Grove, a California municipal corporation

**THIS SECTION FOR ENTITY TRANSFEROR:**

For U.S. tax purposes (including Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by the undersigned, the undersigned hereby certifies the following on behalf of Transferor:

1. Transferor IS ( ) IS NOT ( X ) a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations) (if you are a foreign entity, withholding will be done unless another exemption applies);
2. Transferor IS ( ) IS NOT ( X ) a disregarded entity as defined in Section 1.1445-2(b)(2)(iii);
3. Transferor's U.S. employer identification number is 95-6005848;
4. Transferor's office address is 11222 Acalia Pwy,  
Garden Grove, CA 92840;

Transferor understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

12-7-16

Date



City of Garden Grove, a California municipal corporation



**SELLER'S CERTIFICATION OF NON-FOREIGN STATUS UNDER  
FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT ("FIRPTA") (26 U.S.C. 1445)**

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Date

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City of Garden Grove, a California municipal corporation

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12-7-16  
Date

[Signature]  
City of Garden Grove, a California municipal corporation



First American  
Natural Hazard Disclosures

# FANHD Commercial Property Disclosure Reports Disclosure Report Signature Page For ORANGE County

Property Address: VACANT LAND  
GARDEN GROVE, ORANGE COUNTY, CA 92840  
("Property")

APN: 090-174-05  
Report Date: 06/02/2016  
Report Number: 1925689

## Natural Hazard Disclosure ("NHD") Statement and Acknowledgment of Receipt

**DISCLAIMER:** This NHD Summary (a) is not valid unless delivered with the complete FANHD Disclosure Report which transferee must read and acknowledge before close of escrow, and (b) is subject to the Terms and Conditions contained in that complete Disclosure Report.

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the Property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the Property.

The following are representations made by the transferor and his or her agent(s) or a third-party consultant based on their knowledge and maps drawn by the State. This information is a disclosure and is not intended to be part of any contract between the transferee and the transferor. **THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):**

A SPECIAL FLOOD HAZARD AREA (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency  
Yes \_\_\_ No  Do not know and information not available from local jurisdiction \_\_\_

AN AREA OF POTENTIAL FLOODING shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code.  
Yes  No \_\_\_ Do not know and information not available from local jurisdiction \_\_\_

A VERY HIGH FIRE HAZARD SEVERITY ZONE pursuant to Section 51178 or 51179 of the Government Code. The owner of this Property is subject to the maintenance requirements of Section 51182 of the Government Code.  
Yes \_\_\_ No

A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISK AND HAZARDS pursuant to Section 4125 of the Public Resources Code. The owner of this Property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code.  
Yes \_\_\_ No

AN EARTHQUAKE FAULT ZONE pursuant to Section 2622 of the Public Resources Code.  
Yes \_\_\_ No

A SEISMIC HAZARD ZONE pursuant to Section 2696 of the Public Resources Code.  
Yes (Landslide Zone) \_\_\_ Yes (Liquefaction Zone)   
No \_\_\_ Map not yet released by state \_\_\_

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s)	Date	Signature of Transferor(s)	Date
Signature of Agent	Date	Signature of Agent	Date

Transferor(s) and their agent(s) represent that the information herein is true and correct to the best of their knowledge as of the date signed by the transferor(s) and agent(s).

Transferor(s) and their agent(s) acknowledge that they have exercised good faith in the selection of a third-party report provider as required in Civil Code Section 1103.7, and that the representations made in this Natural Hazard Disclosure Statement are based upon information provided by the independent third-party disclosure provider as a substituted disclosure pursuant to Civil Code Section 1103.4. Neither transferor(s) nor their agent(s) (1) has independently verified the information contained in this statement and Report or (2) is personally aware of any errors or inaccuracies in the information contained on the statement. This statement was prepared by the provider below:

Third-Party Disclosure Provider(s) FIRST AMERICAN PROFESSIONAL REAL ESTATE SERVICES, INC. OPERATING THROUGH ITS FANHD DIVISION.  
Date 02 June 2016

Transferee represents that he or she has read and understands this document. Pursuant to Civil Code Section 1103.8, the representations in this Natural Hazard Disclosure Statement do not constitute all of the transferor's or agent's disclosure obligations in this transaction.

Signature of Transferee(s)	Date <u>6/2/16</u>	Signature of Transferee(s)	Date
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**TRANSFEEE(S) REPRESENTS ABOVE HE/SHE HAS RECEIVED, READ AND UNDERSTANDS THE COMPLETE FANHD DISCLOSURE REPORT DELIVERED WITH THIS SUMMARY:**

- A. Commercial Natural Hazard Disclosure Report, Commercial Tax Report, Commercial Environmental Screening Report.
- B. Additional Property-specific Statutory Disclosures: Former Military Ordnance Site, Airport Influence Area, Airport Noise, San Francisco Bay Conservation and Development District Jurisdiction (in S.F. Bay counties only).
- C. Additional County and City Regulatory Determinations as applicable: Airports, Avalanche, Blow Sand, Coastal Zone, Dam/Levee Failure Inundation, Debris Flow, Erosion, Flood, Fault Zone, Fire, Groundwater, Landslide, Liquefaction, Methane Gas, Mines, Naturally Occurring Asbestos, Redevelopment Area, Right to Farm, Runoff Area, Seiche, Seismic Shaking, Seismic Ground Failure, Slope Stability, Soil Stability, Subsidence, TRPA, Tsunami.
- D. General advisories: Methamphetamine Contamination, Mold, Radon, Endangered Species Act, Abandoned Mines, Oil & Gas Wells, Tsunami Maps (coastal only), Non-residential Building Energy Use.
- E. Government Guides in Combined Booklet with Report. Refer to Booklet: Commercial Property Owner's Guide to Earthquake Safety. Government Guides are also available on the Company's "Electronic Bookshelf" at <http://www.disclosures.com/>.



First American  
Natural Hazard Disclosures™

# FANHD Commercial Property Disclosure Reports Disclosure Report Signature Page For ORANGE County

**Property Address:** VACANT LAND  
GARDEN GROVE, ORANGE COUNTY, CA 92840  
("Property")

**APN:** 090-173-09  
**Report Date:** 06/02/2016  
**Report Number:** 1925683

## Natural Hazard Disclosure ("NHD") Statement and Acknowledgment of Receipt

**DISCLAIMER:** This NHD Summary (a) is not valid unless delivered with the complete FANHD Disclosure Report which transferee must read and acknowledge before close of escrow, and (b) is subject to the Terms and Conditions contained in that complete Disclosure Report.

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the Property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the Property.

The following are representations made by the transferor and his or her agent(s) or a third-party consultant based on their knowledge and maps drawn by the State. This information is a disclosure and is not intended to be part of any contract between the transferee and the transferor. **THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):**

**A SPECIAL FLOOD HAZARD AREA** (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency  
Yes \_\_\_ No **X** Do not know and information not available from local jurisdiction \_\_\_

**AN AREA OF POTENTIAL FLOODING** shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code.  
Yes **X** No \_\_\_ Do not know and information not available from local jurisdiction \_\_\_

**A VERY HIGH FIRE HAZARD SEVERITY ZONE** pursuant to Section 51178 or 51179 of the Government Code. The owner of this Property is subject to the maintenance requirements of Section 51182 of the Government Code.  
Yes \_\_\_ No **X**

**A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISK AND HAZARDS** pursuant to Section 4125 of the Public Resources Code. The owner of this Property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code.  
Yes \_\_\_ No **X**

**AN EARTHQUAKE FAULT ZONE** pursuant to Section 2622 of the Public Resources Code.  
Yes \_\_\_ No **X**

**A SEISMIC HAZARD ZONE** pursuant to Section 2696 of the Public Resources Code.  
Yes (Landslide Zone) \_\_\_ Yes (Liquefaction Zone) **X**  
No \_\_\_ Map not yet released by state \_\_\_

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s) _____	Date _____	Signature of Transferor(s) _____	Date _____
Signature of Agent _____	Date _____	Signature of Agent _____	Date _____

- Transferor(s) and their agent(s) represent that the information herein is true and correct to the best of their knowledge as of the date signed by the transferor(s) and agent(s).
- Transferor(s) and their agent(s) acknowledge that they have exercised good faith in the selection of a third-party report provider as required in Civil Code Section 1103.7, and that the representations made in this Natural Hazard Disclosure Statement are based upon information provided by the independent third-party disclosure provider as a substituted disclosure pursuant to Civil Code Section 1103.4. Neither transferor(s) nor their agent(s) (1) has independently verified the information contained in this statement and Report or (2) is personally aware of any errors or inaccuracies in the information contained on the statement. This statement was prepared by the provider below:

Third-Party Disclosure Provider(s) FIRST AMERICAN PROFESSIONAL REAL ESTATE SERVICES, INC. OPERATING THROUGH ITS FANHD DIVISION.  
Date 02 June 2016

Transferee represents that he or she has read and understands this document. Pursuant to Civil Code Section 1103.8, the representations in this Natural Hazard Disclosure Statement do not constitute all of the transferor's or agent's disclosure obligations in this transaction.

Signature of Transferee(s) _____	Date <u>12/2/16</u>	Signature of Transferee(s) _____	Date _____
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**TRANSFEREE(S) REPRESENTS ABOVE HE/SHE HAS RECEIVED, READ AND UNDERSTANDS THE COMPLETE FANHD DISCLOSURE REPORT DELIVERED WITH THIS SUMMARY:**

- A. Commercial Natural Hazard Disclosure Report, Commercial Tax Report, Commercial Environmental Screening Report.
- B. Additional Property-specific Statutory Disclosures: Former Military Ordnance Site, Airport Influence Area, Airport Noise, San Francisco Bay Conservation and Development District Jurisdiction (in S.F. Bay counties only).
- C. Additional County and City Regulatory Determinations as applicable: Airports, Avalanche, Blow Sand, Coastal Zone, Dam/Levee Failure Inundation, Debris Flow, Erosion, Flood, Fault Zone, Fire, Groundwater, Landslide, Liquefaction, Methane Gas, Mines, Naturally Occurring Asbestos, Redevelopment Area, Right to Farm, Runoff Area, Seiche, Seismic Shaking, Seismic Ground Failure, Slope Stability, Soil Stability, Subsidence, TRPA, Tsunami.
- D. General advisories: Methamphetamine Contamination, Mold, Radon, Endangered Species Act, Abandoned Mines, Oil & Gas Wells, Tsunami Maps (coastal only), Non-residential Building Energy Use.
- E. Government Guides in Combined Booklet with Report. Refer to Booklet: Commercial Property Owner's Guide to Earthquake Safety. Government Guides are also available on the Company's "Electronic Bookshelf" at <http://www.disclosures.com/>.



First American  
Natural Hazard Disclosures™

# FANHD Commercial Property Disclosure Reports Disclosure Report Signature Page For ORANGE County

**Property Address:** VACANT LAND  
GARDEN GROVE, ORANGE COUNTY, CA 92840  
("Property")

**APN:** 090-172-18  
**Report Date:** 06/02/2016  
**Report Number:** 1925679

## Natural Hazard Disclosure ("NHD") Statement and Acknowledgment of Receipt

**DISCLAIMER:** This NHD Summary (a) is not valid unless delivered with the complete FANHD Disclosure Report which transferee must read and acknowledge before close of escrow, and (b) is subject to the Terms and Conditions contained in that complete Disclosure Report.

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the Property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the Property.

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**A SPECIAL FLOOD HAZARD AREA** (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency  
Yes \_\_\_ No  Do not know and information not available from local jurisdiction \_\_\_

**AN AREA OF POTENTIAL FLOODING** shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code.  
Yes  No \_\_\_ Do not know and information not available from local jurisdiction \_\_\_

**A VERY HIGH FIRE HAZARD SEVERITY ZONE** pursuant to Section 51178 or 51179 of the Government Code. The owner of this Property is subject to the maintenance requirements of Section 51182 of the Government Code.  
Yes \_\_\_ No

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Yes \_\_\_ No

**AN EARTHQUAKE FAULT ZONE** pursuant to Section 2622 of the Public Resources Code.  
Yes \_\_\_ No

**A SEISMIC HAZARD ZONE** pursuant to Section 2696 of the Public Resources Code.  
Yes (Landslide Zone) \_\_\_ Yes (Liquefaction Zone)   
No \_\_\_ Map not yet released by state \_\_\_

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Signature of Transferor(s)	Date	Signature of Transferor(s)	Date
Signature of Agent	Date	Signature of Agent	Date

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Date 02 June 2016

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	Date <u>12/8/16</u>	Signature of Transferee(s)	Date
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- TRANSFEREE(S) REPRESENTS ABOVE HE/SHE HAS RECEIVED, READ AND UNDERSTANDS THE COMPLETE FANHD DISCLOSURE REPORT DELIVERED WITH THIS SUMMARY:**
- A. Commercial Natural Hazard Disclosure Report, Commercial Tax Report, Commercial Environmental Screening Report.
  - B. Additional Property-specific Statutory Disclosures: Former Military Ordnance Site, Airport Influence Area, Airport Noise, San Francisco Bay Conservation and Development District Jurisdiction (in S.F. Bay counties only).
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  - D. General advisories: Methamphetamine Contamination, Mold, Radon, Endangered Species Act, Abandoned Mines, Oil & Gas Wells, Tsunami Maps (coastal only), Non-residential Building Energy Use.
  - E. Government Guides in Combined Booklet with Report. Refer to Booklet: Commercial Property Owner's Guide to Earthquake Safety. Government Guides are also available on the Company's "Electronic Bookshelf" at <http://www.disclosures.com/>.



NHD Commercial Property Disclosure Reports
Disclosure Report Signature Page
For ORANGE County

Property Address: VACANT LAND
GARDEN GROVE, ORANGE COUNTY, CA 92840
("Property")

APN: 090-172-18
Report Date: 06/02/2016
Report Number: 1925679

Natural Hazard Disclosure ("NHD") Statement
and Acknowledgment of Receipt

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A VERY HIGH FIRE HAZARD SEVERITY ZONE pursuant to Section 51178 or 51179 of the Government Code. The owner of this Property is subject to the maintenance requirements of Section 51182 of the Government Code.
Yes \_\_\_ No X

A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISK AND HAZARDS pursuant to Section 4125 of the Public Resources Code. The owner of this Property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code.
Yes \_\_\_ No X

AN EARTHQUAKE FAULT ZONE pursuant to Section 2622 of the Public Resources Code.
Yes \_\_\_ No X

A SEISMIC HAZARD ZONE pursuant to Section 2696 of the Public Resources Code.
Yes (Landslide Zone) \_\_\_ Yes (Liquefaction Zone) X
No \_\_\_ Map not yet released by state \_\_\_

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s) Date 12-7-16 Signature of Transferor(s) Date
Signature of Agent Date Signature of Agent Date

- Transferor(s) and their agent(s) represent that the information herein is true and correct to the best of their knowledge as of the date signed by the transferor(s) and agent(s).
[X] Transferor(s) and their agent(s) acknowledge that they have exercised good faith in the selection of a third-party report provider as required in Civil Code Section 1103.7, and that the representations made in this Natural Hazard Disclosure Statement are based upon information provided by the independent third-party disclosure provider as a substituted disclosure pursuant to Civil Code Section 1103.4. Neither transferor(s) nor their agent(s) (1) has independently verified the information contained in this statement and Report or (2) is personally aware of any errors or inaccuracies in the information contained on the statement. This statement was prepared by the provider below:

Third-Party Disclosure Provider(s) FIRST AMERICAN PROFESSIONAL REAL ESTATE SERVICES, INC. OPERATING THROUGH ITS FANHD DIVISION.
Date 02 June 2016

Transferee represents that he or she has read and understands this document. Pursuant to Civil Code Section 1103.8, the representations in this Natural Hazard Disclosure Statement do not constitute all of the transferor's or agent's disclosure obligations in this transaction.

Signature of Transferee(s) Date Signature of Transferee(s) Date

TRANSFEREE(S) REPRESENTS ABOVE HE/SHE HAS RECEIVED, READ AND UNDERSTANDS THE COMPLETE FANHD DISCLOSURE REPORT DELIVERED WITH THIS SUMMARY:

- A. Commercial Natural Hazard Disclosure Report, Commercial Tax Report, Commercial Environmental Screening Report.
B. Additional Property-specific Statutory Disclosures: Former Military Ordnance Site, Airport Influence Area, Airport Noise, San Francisco Bay Conservation and Development District Jurisdiction (in S.F. Bay counties only).
C. Additional County and City Regulatory Determinations as applicable: Airports, Avalanche, Blow Sand, Coastal Zone, Dam/Levee Failure Inundation, Debris Flow, Erosion, Flood, Fault Zone, Fire, Groundwater, Landslide, Liquefaction, Methane Gas, Mines, Naturally Occurring Asbestos, Redevelopment Area, Right to Farm, Runoff Area, Seiche, Seismic Shaking, Seismic Ground Failure, Slope Stability, Soil Stability, Subsidence, TRPA, Tsunami.
D. General advisories: Methamphetamine Contamination, Mold, Radon, Endangered Species Act, Abandoned Mines, Oil & Gas Wells, Tsunami Maps (coastal only), Non-residential Building Energy Use.
E. Government Guides in Combined Booklet with Report. Refer to Booklet: Commercial Property Owner's Guide to Earthquake Safety. Government Guides are also available on the Company's "Electronic Bookshelf" at http://www.disclosures.com/.



Disclosure Report Signature Page For ORANGE County

Property Address: VACANT LAND GARDEN GROVE, ORANGE COUNTY, CA 92840 ("Property")

APN: 090-173-09 Report Date: 06/02/2016 Report Number: 1925683

Natural Hazard Disclosure ("NHD") Statement and Acknowledgment of Receipt

DISCLAIMER: This NHD Summary (a) is not valid unless delivered with the complete FANHD Disclosure Report which transferee must read and acknowledge before close of escrow, and (b) is subject to the Terms and Conditions contained in that complete Disclosure Report.

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the Property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the Property.

The following are representations made by the transferor and his or her agent(s) or a third-party consultant based on their knowledge and maps drawn by the State. This information is a disclosure and is not intended to be part of any contract between the transferee and the transferor. THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):

A SPECIAL FLOOD HAZARD AREA (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency Yes No X Do not know and information not available from local jurisdiction

AN AREA OF POTENTIAL FLOODING shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code. Yes X No Do not know and information not available from local jurisdiction

A VERY HIGH FIRE HAZARD SEVERITY ZONE pursuant to Section 51178 or 51179 of the Government Code. The owner of this Property is subject to the maintenance requirements of Section 51182 of the Government Code. Yes No X

A WILDLAND AREA THAT MAY CONTAIN SUBSTANTIAL FOREST FIRE RISK AND HAZARDS pursuant to Section 4125 of the Public Resources Code. The owner of this Property is subject to the maintenance requirements of Section 4291 of the Public Resources Code. Additionally, it is not the state's responsibility to provide fire protection services to any building or structure located within the wildlands unless the Department of Forestry and Fire Protection has entered into a cooperative agreement with a local agency for those purposes pursuant to Section 4142 of the Public Resources Code. Yes No X

AN EARTHQUAKE FAULT ZONE pursuant to Section 2622 of the Public Resources Code. Yes No X

A SEISMIC HAZARD ZONE pursuant to Section 2696 of the Public Resources Code. Yes (Landslide Zone) Yes (Liquefaction Zone) X No Map not yet released by state

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s) Date 12-7-16 Signature of Transferor(s) Date Signature of Agent Date Signature of Agent Date

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[X] Transferor(s) and their agent(s) acknowledge that they have exercised good faith in the selection of a third-party report provider as required in Civil Code Section 1103.7, and that the representations made in this Natural Hazard Disclosure Statement are based upon information provided by the independent third-party disclosure provider as a substituted disclosure pursuant to Civil Code Section 1103.4. Neither transferor(s) nor their agent(s) (1) has independently verified the information contained in this statement and Report or (2) is personally aware of any errors or inaccuracies in the information contained on the statement. This statement was prepared by the provider below.

Third-Party Disclosure Provider(s) FIRST AMERICAN PROFESSIONAL REAL ESTATE SERVICES, INC. OPERATING THROUGH ITS FANHD DIVISION. Date 02 June 2016

Transferee represents that he or she has read and understands this document. Pursuant to Civil Code Section 1103.8, the representations in this Natural Hazard Disclosure Statement do not constitute all of the transferor's or agent's disclosure obligations in this transaction.

Signature of Transferee(s) Date Signature of Transferee(s) Date

TRANSFEREE(S) REPRESENTS ABOVE HE/SHE HAS RECEIVED, READ AND UNDERSTANDS THE COMPLETE FANHD DISCLOSURE REPORT DELIVERED WITH THIS SUMMARY:

- A. Commercial Natural Hazard Disclosure Report, Commercial Tax Report, Commercial Environmental Screening Report.
B. Additional Property-specific Statutory Disclosures: Former Military Ordnance Site, Airport Influence Area, Airport Noise, San Francisco Bay Conservation and Development District Jurisdiction (in S.F. Bay counties only).
C. Additional County and City Regulatory Determinations as applicable: Airports, Avalanche, Blow Sand, Coastal Zone, Dam/Levee Failure Inundation, Debris Flow, Erosion, Flood, Fault Zone, Fire, Groundwater, Landslide, Liquefaction, Methane Gas, Mines, Naturally Occurring Asbestos, Redevelopment Area, Right to Farm, Runoff Area, Seiche, Seismic Shaking, Seismic Ground Failure, Slope Stability, Soil Stability, Subsidence, TRPA, Tsunami.
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NHD Commercial Property Disclosure Reports

Disclosure Report Signature Page For ORANGE County

Property Address: VACANT LAND GARDEN GROVE, ORANGE COUNTY, CA 92840 ("Property")

APN: 090-174-05 Report Date: 06/02/2016 Report Number: 1925689

Natural Hazard Disclosure ("NHD") Statement and Acknowledgment of Receipt

DISCLAIMER: This NHD Summary (a) is not valid unless delivered with the complete FANHD Disclosure Report which transferee must read and acknowledge before close of escrow, and (b) is subject to the Terms and Conditions contained in that complete Disclosure Report.

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the Property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the Property.

The following are representations made by the transferor and his or her agent(s) or a third-party consultant based on their knowledge and maps drawn by the State. This information is a disclosure and is not intended to be part of any contract between the transferee and the transferor. THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):

A SPECIAL FLOOD HAZARD AREA (Any type Zone "A" or "V") designated by the Federal Emergency Management Agency. Yes \_\_\_ No X Do not know and information not available from local jurisdiction \_\_\_

AN AREA OF POTENTIAL FLOODING shown on a dam failure inundation map pursuant to Section 8589.5 of the Government Code. Yes X No \_\_\_ Do not know and information not available from local jurisdiction \_\_\_

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Signature of Transferor(s) [Signature] Date 12-7-16 Signature of Transferor(s) Date

Signature of Agent Date Signature of Agent Date

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Third-Party Disclosure Provider(s) FIRST AMERICAN PROFESSIONAL REAL ESTATE SERVICES, INC. OPERATING THROUGH ITS FANHD DIVISION. Date 02 June 2016

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D. General advisories: Methamphetamine Contamination, Mold, Radon, Endangered Species Act, Abandoned Mines, Oil & Gas Wells, Tsunami Maps (coastal only), Non-residential Building Energy Use.
E. Government Guides in Combined Booklet with Report. Refer to Booklet: Commercial Property Owner's Guide to Earthquake Safety. Government Guides are also available on the Company's "Electronic Bookshelf" at http://www.disclosures.com/.



**First American Title Company**

National Commercial Services  
18500 Von Karman Ave, Suite 600, Irvine, CA 92612  
(949)885-2473 - Fax (714)481-2215

**AMENDMENT TO ESCROW INSTRUCTIONS**

To: **First American Title Company National  
Commercial Services**

**05/26/2016**

File No: **794936-A (nt)**

Re: **Vacant Land, Garden Grove, CA**

The above referenced escrow is hereby modified in the following particulars only:

Notwithstanding anything to the contrary contained within the Disposition and Development Agreement (the "**Agreement**"), by and between the City of Garden Grove, a California municipal corporation (the Seller "**City**"), and LAB Holding, LLC, a California limited liability company (the Buyer "**Developer**"), the following is hereby amended:

Buyer shall deposit in Escrow Holder's account the sum of \$100,000.00 (by electronic transfer) representing Buyer's initial deposit under the Agreement. The deposit is fully refundable at Buyer's sole and absolute discretion under said escrow becomes non-contingent. Upon Buyer's written Contingency approval to Seller and Escrow Holder the deposit shall become non-refundable to Buyer and applicable to the Purchase Price.

**ALL OTHER TERMS AND CONDITIONS OF THIS ESCROW WILL REMAIN THE SAME.**

Lab Holding, LLC, a California limited liability  
company

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

Name:

SHARON SADEGH

Title:

\_\_\_\_\_



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

File No.: 794936-A (nt)  
Date: 05/26/2016

City of Garden Grove, a California municipal corporation

By: *Scott C. Stiles*  
Name: Scott C. Stiles  
Title: Its: City Manager

By: *Kathleen Bailor*  
Name: Kathleen Bailor  
Title: Attest / City Clerk

By: *Olga Sandora*  
Name: \_\_\_\_\_  
Title: Approval: City Attorney

**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 Cottage Industry (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: SHAHEN SADEGH

Date: MAY 05 2016

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:**

---

[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 May 10, 2016, by CITY OF GARDEN GROVE (herein called "Grantor"), and LAB HOLDING, LLC (herein called "Grantee").

W I T N E S S E T H:

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

ATTEST:   
KATHLEEN BAILOR, CMC  
City Clerk  
City of Garden Grove  
DATED: 5/10/16

By: SHAKEEN SADEQUI

Date: May 09 2016

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

LEASE AND SUBLEASE AGREEMENTS

BY AND BETWEEN

THE CITY OF GARDEN GROVE

AND

LAB HOLDING LLC

FOR THE LEASE OF FIVE UNIMPROVED PARCELS IN THE  
CIVIC CENTER FOR THE COTTAGE INDUSTRIES PROJECT  
RESOLUTION NO. 9354-16

APPROVED

MAY 10, 2016

GARDEN GROVE CITY COUNCIL

RESOLUTION NO. 9354-16

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE  
APPROVING A LEASE AND A SUBLEASE AGREEMENT WITH THE LAB HOLDING LLC  
FOR LEASE OF FIVE UNIMPROVED PARCELS IN THE CIVIC CENTER FOR THE  
COTTAGE INDUSTRIES PROJECT

WHEREAS, the City owns unimproved real property in the City of Garden Grove, County of Orange, State of California, identified as APNs 090-172-31 (11301 Garden Grove Blvd.), and 090-174-19 (11461 Garden Grove Blvd.) ("the City Properties").

WHEREAS, the City leases from its Housing Authority unimproved real property in the City of Garden Grove, County of Orange, State of California, identified as APNs 090-172-15 (12951 7th St.), 090-174-07 (11421 Garden Grove Blvd.), and 090-174-06 (12942 8th St.) ("the Housing Authority Properties").

WHEREAS, the two City Properties and three Housing Authority Properties, are hereby collectively referred to as the Properties.

WHEREAS, the City has negotiated an agreement with the Lab Holding, LLC (the "Developer") to lease the Properties and transfer the maintenance and repair responsibilities for the Properties to the Developer.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Garden Grove that the Lease Agreement for the two City Properties and Sublease Agreement for the three Housing Authority Properties attached hereto are hereby approved and the City Manager is hereby authorized to execute the Agreements and to sign all other documents necessary and appropriate to carry out and implement the Agreements.

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

ATTEST:

/s/ BAO NGUYEN  
MAYOR

/s/ KATHLEEN BAILOR, CMC  
CITY CLERK



LEASE AGREEMENT BETWEEN  
CITY OF GARDEN GROVE AND  
LAB HOLDING, LLC

This Lease Agreement (the "Lease") is made and entered into this \_\_\_\_ Day of November, 2016 ("Effective Date") by and between CITY OF GARDEN GROVE, a municipal corporation of the State of California ("Landlord"), and Lab Holding, LLC., a California Limited Liability Company ("Tenant"). The undersigned parties agree to this Lease based upon the following facts and upon the following terms and conditions.

RECITALS

- A. Landlord is the owner of certain unimproved real property in the City of Garden Grove, County of Orange, State of California, identified as APNs 090-172-31 (11301 Garden Grove Blvd.), and 090-174-19 (11461 Garden Grove Blvd.) ("the Property"). Collectively, the Property, including all rights and appurtenances pertaining to such land, including all adjacent streets, parking lots, alleys or rights of way, is referenced throughout this Lease as the "Premises."
- B. Landlord desires to lease to Tenant and Tenant desires to lease from Landlord, the Premises pursuant to the terms and conditions set forth herein.

NOW THEREFORE, the Undersigned parties hereto agree as follows:

AGREEMENT

1. Lease of Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises for the Term (as hereinafter defined) and upon the terms and conditions as set forth herein. Tenant accepts the Premises in an "As Is" condition without any representation or warranties being made by Landlord. Landlord expressly disclaims any warranty or representation with regard to the condition, safety or security of the Premises or suitability of the Premises for the Tenant's intended use.
2. Use.
  - 2.1. Generally. Tenant shall use the Premises for the purposes of developing, constructing and operating its Cottage Industries project, consisting of commercial uses, parking lots, landscaping, and for other reasonable associated uses consistent with Tenant's purposes as approved by the Landlord. Notwithstanding the foregoing, Tenant shall not cause or permit the Premises to be used in any way which (i) constitutes a violation of any law, ordinance, or governmental regulation or order regulating the manner of use by Tenant of the Premises (including, without limitation, any law ordinance, regulation, or order relating to Hazardous Materials), (ii) constitutes a nuisance or waste, or (iii) increases the cost of any



insurance relating to the Premises paid by Landlord. Tenant shall obtain, at its sole cost and expense, all governmental permits, licenses and authorizations of whatever nature required by any governmental agencies having jurisdiction over Tenant's use of the Premises. Further, Tenant, at its sole cost, will comply with all applicable governmental laws and regulations in connection with its operations within the City of Garden Grove. Tenant will also comply with any and all reasonable rules and regulations promulgated by Landlord. The Premises shall be used solely for the use described in this Section and for no other use or purpose.

2.2. Hazardous Materials. As used in this Lease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state, or local laws or regulations, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. However, "Hazardous Materials" shall not include ordinary and general office supplies and common household cleaning materials. Tenant shall not cause or permit any Hazardous Materials to be generated, produced, brought upon, used, stored, treated, or disposed of in or about the Premises by Tenant, its agents, employees, contractors, sublessees or invitees in violation of any applicable laws, codes ordinances or regulations governing the same

3. Term. The term of this lease shall be fifteen (15) years, commencing on the Effective Date (the "Term"), unless terminated earlier as provided in this lease.

4. Taxes.

4.1. Real Property Taxes and Assessments. Should the property interest conveyed by this Lease be subject to real property taxation and/or assessments, Tenant shall pay, before delinquency, all lawful taxes, assessments, fees or charges which may be levied by the State, County, City, or any other tax or assessment-levying body upon the Premises and any improvement thereon. TENANT UNDERSTANDS THAT THIS LEASE MAY SUBJECT TENANT TO PROPERTY AND POSSESSORY INTEREST PROPERTY TAXATION as set out in Revenue & Taxation Code Section 107.6 *et seq.*

- 4.2. Personal Property Taxes. Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant, if any. Tenant shall use commercially reasonable efforts to have personal property taxes separately from the Premises if any tax becomes due as to the Premises. If any of Tenant's personal property is taxed with the Premises and paid by Landlord, Tenant shall reimburse Landlord the taxes for personal property within fifteen (15) days after tenant receives a written statement from Landlord for such personal property taxes, together with reasonable evidence showing the amount of personal property taxes paid by Landlord.
- 4.3. Payment of Taxes and Assessments. To the extent that any taxes or assessments are separately assessed to Tenant, Tenant shall pay the same before delinquency. If Tenant fails to pay any such taxes or assessments as and when Tenant is required to do so hereunder, Landlord shall have the option, but not the obligation, to pay such amount together with any and all interest and penalties, in which case the total amount so paid together with interest thereon at the rate of ten percent (10%) per annum, calculated from the date of payment by Landlord to the date of repayment by Tenant, shall be due and payable by Tenant to Landlord upon receipt of written notice from Landlord. All taxes and assessments not separately assessed to Tenant shall be paid by Landlord to the taxing authority, but the amount thereof shall be payable by Tenant to Landlord within 30 days of Landlord's invoice therefor.
5. Utilities. Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and all other utilities and services used at the Premises or supplied to the Premises at Tenant's request.
6. Rent. Commencing on the Effective Date, Tenant agrees to pay Landlord, without notice or demand, annual rent of one dollar (\$1.00) in advance, on or before the first business day of each and every successive year during the Term. Tenant may pay, in advance, the full amount of the rent for the entire Term. Rent shall be paid to Landlord without deduction or offset, in lawful money of the United States of America and at such place as Landlord may from time to time designate in writing.
7. Improvements.
  - 7.1 As Necessary to Use, Landlord Consent. Tenant shall, at its sole expense, make improvements to the Premises as necessary to fulfill or engage in its use of the Premises described herein. No construction or improvements to any part of the Premises shall be allowed unless Tenant first seeks and obtains Landlord's consent thereto, together with any necessary permits, approvals, licenses or other land use entitlements (in the aggregate,

“Consent”). Such Consent, to the extent controlled by Landlord, shall not be unreasonably withheld or delayed.

7.2. Required Improvements by Tenant.

7.2.1. Tenant Improvements.

Tenant agrees to design, develop and construct the commercial uses, parking lots, and landscaping, as more particularly described in concept on Exhibit “A” subject to the Schedule of Performance in Exhibit “B” attached hereto and made part hereof (“Tenant Improvements”). Tenant shall be solely responsible for obtaining all necessary governmental approvals for the implementation of the design and construction of the Tenant Improvements. Landlord shall be allowed adequate opportunity to post Notices of Non-responsibility or other similar notices at the location of any Tenant Improvement before the commencement of work thereon.

7.2.2. All Work on Written Contract.

All work required in the construction of the Tenant Improvements, shall be performed only by competent contractors licensed under the laws of the State of California and shall be performed in accordance with written contracts with those contractors. Each such contract shall provide that the final payment under the contract due to the contractor shall be in an amount equaling at least 5 percent of the full amount payable under the contract and shall not be paid to contractor until whichever of the following last occurs: (i) The expiration of 35 days from the date of recording by Tenant as owner of a Notice of Completion of the Tenant Improvements, Tenant agreeing to record that Notice of Completion promptly within the time specified by law for the recording of that notice; or (ii) The settlement and discharge of all liens of record claimed by persons who supplied either labor or materials for the construction of the Tenant Improvements.

7.2.3. [Ommitted].

7.2.4. Time for Completion.

Tenant shall cause construction of the Tenant Improvements to be commenced pursuant to the timeline in the Schedule of Performance, and shall then cause construction of the Tenant Improvements to be diligently pursued without unnecessary interruption, and shall cause the Tenant Improvements to be completed and ready for occupancy per the Schedule of Performance. Tenant shall be excused for any delays in construction or commencement of construction caused by the act of Landlord, the act of any agent of Landlord, the act of 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 Tenant's control. Tenant shall, however, use reasonable diligence to avoid any such delay and to resume construction as promptly as possible after the delay. Landlord's City Manager shall have the authority to approve reasonable adjustments to the timeline in the Schedule of Performance.

- 7.3 Submission of Plans. Within 120 days of Landlord's approval of the lease, the Tenant shall submit final site plans, floor plans and elevations, and other such information to Landlord as Landlord may reasonably request, to allow Landlord to evaluate compliance with the construction of Tenant Improvements and any proposed alterations to Tenant Improvements. Such plans shall be prepared by a licensed architect or engineer, and shall include a statement of estimated construction costs for the Tenant Improvements prepared by the engaged architect or engineer.
- 7.4. Prevailing Wage, ADA. Tenant understands and agrees that in implementing the Tenant Improvements, it has the legal obligation to comply with, and contractually require contractor and subcontractor compliance with, California's prevailing wage laws codified at Labor Code Section 1770 *et. Seq.* Furthermore, Tenant hereby assumes full and sole responsibility for ensuring that access to and through the Premises is consistent with the Americans with Disabilities Act and other similar laws and regulations
- 7.5. Removal and Retention of Improvements. Upon termination or expiration of this lease, Tenant Shall, at its sole cost and expense, remove all non-fixed improvements or alterations to the Premises upon written request and authorization by the Landlord, and shall return the Premises to Landlord in substantially the same condition as they were on the Effective Date of this Lease, or as improved via structural alteration approved by Landlord, ordinary wear and tear excepted. Any fixture or structural alteration to the Premises shall remain on and be surrendered with the Premises upon the termination or expiration of the Lease without compensation to Tenant, unless Landlord specifically directs Tenant in writing to remove all or any such fixture or alteration. Such direction to remove a fixture or structural alteration (a "Removal Directive") shall be given not less than sixty (60) days before the date of termination or expiration of the Lease. Tenant shall be solely responsible for implementing any Removal Directive and restoring the Premises to substantially the same condition as upon the Effective Date of this Lease.
- 7.6. Quitclaim Deed. Upon termination of this Lease for any reason, including but not limited to termination because of default by Tenant, Tenant shall execute, acknowledge, and deliver to Landlord within 30 days after receipt of written demand therefor, a good and sufficient deed whereby all right,

title and interest of Tenant in the Premises and any improvements which are not to be removed therefrom pursuant to this Lease is quitclaimed to Landlord. Should Tenant fail or refuse to deliver the required deed to Landlord, Landlord may prepare and record a notice reciting the failure of Tenant to execute, acknowledge, and deliver such deed and said notice shall be conclusive evidence of the termination of this Lease and of all right of Tenant or of those claiming under Tenant in and to the in the Premises and said improvements.

- 7.7. Signage, Limitations of Landlord Approval. Tenant expressly agrees to comply with all applicable signage ordinances. No structure, sign or other improvement of any kind shall be constructed on the Premises by Tenant, its employees, agents or contractors without the prior written approval of Landlord in each case. Approval may be withheld, conditioned or delayed in Landlord's sole and absolute discretion. No changes, modifications or alterations from approved plans and specifications may be made without Landlord's prior written approval. No approval by Landlord of any plans specifications shall constitute: (i) approval of architectural or engineering sufficiency or representation (ii) warranty by Landlord as to the adequacy or sufficiency of the plans and specifications or the improvements contemplated for Tenant's use or purpose. Landlord, by approving the plans and specifications, assumes no responsibility or liability for any defect in any improvements constructed on the basis of the plans and specifications.

## 8. Encumbrance of Leasehold

- 8.1 Tenant's Right to Encumber. Tenant may encumber to any institutional construction lender regulated by state or federal authority (referred to in this lease as "Lender"), by deed of trust or mortgage or other security instrument, all of Tenant's interest under this lease and the leasehold estate hereby created in Tenant (referred to in this lease as a "Leasehold Encumbrance") for purposes only related to the construction of the Tenant Improvements. However, no Leasehold Encumbrance incurred by Tenant in accordance with this Section shall, and Tenant shall not have power to incur any encumbrance that shall constitute in any way a lien or encumbrance on Landlord's fee interest in the Premises. Any Leasehold Encumbrance shall be subject to all covenants, conditions, and restrictions set forth in this lease and to all rights and interests of Landlord, except as is otherwise provided in this lease. Tenant shall give Landlord prior written notice of any Leasehold Encumbrance, together with a copy of the deed of trust, mortgage, or other security interest evidencing the Leasehold Encumbrance.

- 8.2. Notice to and Service on Lender. Landlord shall mail to any Lender who has given Landlord written notice of its name and address, a duplicate

copy of any and all notices Landlord may from time to time give to or serve on Tenant in accordance with or relating to this lease, including but not limited to any notice of default, notice of termination, or notice regarding any matter on which Landlord may predicate or claim a default. Any notices or other communications permitted by this or any other section of this lease or by law to be served on or given to Lender by Landlord shall be deemed duly served on or given to Lender when deposited in the United States mail, first-class postage prepaid, addressed to Lender at the last mailing address for Lender furnished in writing by Lender to Landlord.

- 8.3. No Modification Without Lender's Consent. For as long as there is any Leasehold Encumbrance in effect, Tenant and Landlord hereby expressly stipulate and agree that they will not modify this lease in any way nor cancel this lease by mutual agreement without the written consent of Lender having that Leasehold Encumbrance.
- 8.4. Right of Lender to Realize on Security. A Lender with a Leasehold Encumbrance shall have the right at any time during the term of this lease and the existence of the encumbrance to do both of the following:
- 8.4.1. Any act or thing required of Tenant under this lease, and any such act or thing done and performed by Lender shall be as effective to prevent a forfeiture of Tenant's rights under this lease as if done by Tenant; and
- 8.4.2. Realize on the security afforded by the leasehold estate by foreclosure proceedings, accepting an assignment in lieu of foreclosure, or other remedy afforded in law or in equity or by the security instrument evidencing the Leasehold Encumbrance (referred to in this lease as "the Security Instrument"), and
- 8.4.3. To transfer, convey, or assign the title of Tenant to the leasehold estate created by this lease to any purchaser at any foreclosure sale, whether the foreclosure sale is conducted under court order or a power of sale contained in the Security Instrument, or to an assignee under an assignment in lieu of foreclosure; and
- 8.4.4. To acquire and succeed to the interest of Tenant under this lease by virtue of any foreclosure sale, whether the foreclosure sale is conducted under a court order or a power of sale contained in the Security Instrument, or by virtue of an assignment in lieu of foreclosure.

The Lender or any person or entity acquiring the leasehold estate shall be liable to perform Tenant's obligations under this lease only during the

period, if any, in which that entity or person has ownership of the leasehold estate or possession of the Premises.

- 8.5. Right of Lender to Cure Defaults. For as long as there is in effect any Leasehold Encumbrance, before Landlord may terminate this lease because of any default under or breach of this lease by Tenant, Landlord must give written notice of the default or breach to Lender and afford Lender the opportunity after service of the notice to do one of the following:
- 8.5.1. Cure the breach or default within 10 days after expiration of the time period granted to Tenant under this lease for curing a default, when the default can be cured by the payment of money to Landlord or some other person;
  - 8.5.2. Cure the breach or default within 30 days after expiration of the time period granted to Tenant under this lease for curing a default, when the breach or default must be cured by something other than the payment of money and can be cured within that time; or
  - 8.5.3. Cure the breach or default in any reasonable time that may be required when something other than money is required to cure the breach or default and cannot be performed within 30 days after expiration of the time period granted to the tenant under this lease for curing a default, provided that acts to cure the breach or default are commenced within that time period after service of notice of default on Lender by Landlord and are thereafter diligently continued by Lender.
- 8.6. Foreclosure in Lieu of Curing Default. Notwithstanding any other provision of this lease, a Lender under a Leasehold Encumbrance may forestall termination of this lease by Landlord for a default under or breach of this lease by Tenant by commencing proceedings to foreclose the Leasehold Encumbrance. The proceedings so commenced may be for foreclosure of the Leasehold Encumbrance by order of court or for foreclosure of the Leasehold Encumbrance under a power of sale contained in the Security Instrument. The proceedings shall not, however, forestall termination of this lease by Landlord for the default or breach by Tenant unless all of the following conditions are met:
- 8.6.1. The proceedings are commenced within 30 days after service on Lender of the notice described in subsection (f) of Section 8;
  - 8.6.2. The proceedings are, after having been commenced, diligently pursued in the manner required by law to completion; and

- 8.6.3. Lender keeps and performs all of the terms, covenants, and conditions of this lease requiring the payment or expenditure of money by Tenant until the foreclosure proceedings are complete or are discharged by redemption, satisfaction, payment, or conveyance of the leasehold estate to Lender.
- 8.7. Assignment Without Consent on Foreclosure. A transfer of Tenant's leasehold interest under this lease to any of the following shall not require the prior consent of Landlord:
- 8.7.1. A purchaser at a foreclosure sale of the Leasehold Encumbrance, whether the foreclosure sale is conducted under court order or a power of sale in the instrument creating the encumbrance, provided Lender under the Leasehold Encumbrance gives Landlord written notice of the transfer, including the name and address of the purchaser and the effective date of the transfer;
- 8.7.2. An assignee of the leasehold estate of Tenant under an assignment in lieu of foreclosure, provided Lender under the Leasehold Encumbrance gives Landlord written notice of the transfer, including the name and address of the assignee and the effective date of the assignment; or
- 8.7.3. A purchaser or assignee of the purchaser at a foreclosure sale of the Leasehold Encumbrance or of the assignee of the leasehold estate of Tenant acquired under an assignment in lieu of foreclosure, provided the purchaser or assignee delivers to Landlord its written agreement to be bound by all of the provisions of this lease.
- 8.8. New Lease to Lender. Notwithstanding any other provision of this lease, should this lease terminate because of any default under or breach of this lease by Tenant, Landlord may enter into a new lease for the Premises with Lender under a Leasehold Encumbrance, as Tenant, provided all of the following conditions are satisfied:
- 8.8.1. A written request for the new lease is served on Landlord by Lender within 30 days after service on Lender of the notice described in Subsection (f) of Section 8 of this lease;
- 8.8.2. The new lease
- 8.8.2.1. Is for a term ending on the same date the term of this lease would have ended had this lease not been terminated;



- 8.8.2.2. Provides for the payment of rent at the same rate that would have been payable under this lease during the remaining term of this lease had this lease not been terminated; and
- 8.8.2.3. Contains the same terms, covenants, conditions, and provisions as are contained in this lease (except those that have already been fulfilled or are no longer applicable);
- 8.8.3. Lender, on execution of the new lease by Landlord, shall pay any and all sums that would at the time of the execution of the new lease be due under this lease but for its termination and shall otherwise fully remedy, or agree in writing to remedy, any other defaults under or breaches of this lease committed by Tenant that can be remedied;
- 8.8.4. Lender, on execution of the new lease, shall pay all reasonable costs and expenses, including attorneys' fees and court costs, incurred in terminating this lease, recovering possession of the Premises from Tenant or the representative of Tenant, and preparing the new lease;
- 8.8.5. The new lease shall be subject to all existing subleases between Tenant and subtenants, provided that for any sublease, the subtenant agrees in writing to attorn to Lender (or its assignee); and
- 8.8.6. The new lease shall be assignable by Lender but not by any assignee of Lender without the prior written consent of Landlord.
- 8.9. No Merger of Leasehold and Fee Estates. For as long as any Leasehold Encumbrance is in existence, there shall be no merger of the leasehold estate created by this lease and the fee estate of Landlord in the Premises merely because both estates have been acquired or become vested in the same person or entity, unless Lender otherwise consents in writing.
- 8.10. Lender as Assignee of Lease. No Lender under any Leasehold Encumbrance shall be liable to Landlord as an assignee of this lease unless and until Lender acquires all rights of Tenant under this lease through foreclosure, an assignment in lieu of foreclosure, or as a result of some other action or remedy provided by law or by the instrument creating the Leasehold Encumbrance.
- 8.11. Lender as Including Subsequent Security Holders. The term "Lender" as used in this lease shall mean not only the institutional lender that loaned money to Tenant and is named as beneficiary, mortgagee, secured party,

or security holder in the Security Instrument creating any Leasehold Encumbrance, but also all subsequent purchasers or assignees of the leasehold interest secured by the Leasehold Encumbrance.

- 8.12. Two or More Lenders. In the event two or more Lenders each exercise their rights under this lease and there is a conflict that renders it impossible to comply with all requests of Lenders, the Lender whose Leasehold Encumbrance would have senior priority in the event of a foreclosure shall prevail.
9. Maintenance and Repair.
- 9.1. General Maintenance and Repairs. Tenant shall be responsible to perform general maintenance and repair of the Premises, including but not limited to all common areas, landscaping, irrigation and parking facilities, and keep all portions of the Premises in a clean and orderly condition. Tenant shall be responsible for any damage done in or to the Premises caused by Tenant, sub-tenants or its employees, agents, contractors and invitees. Upon termination of this Lease, Tenant shall peaceably surrender and quit the Premises in good order, condition and repair, reasonable wear and tear excepted, and at its sole expense, except as otherwise specified in Section 7.5 above, shall remove all of its trade fixtures and personal property and repair any damage to the Premises occasioned by removal of these items.
- 9.2. Capital Repairs and Improvements. Tenant acknowledges and agrees that Tenant has inspected the Premises and has substantial knowledge as to the condition of the Premises. Landlord shall not be responsible for capital repairs or improvements to the Premises. Subject to the terms herein, Tenant hereby waives its rights to compel Landlord to repair, replace, upgrade or otherwise maintain the Premises.
- 9.3. Destruction of Premises. If the Premises, or any portion thereof, are destroyed or damaged by any reason, Landlord and Tenant agree as follows: If the damage is covered by Tenant's insurance maintained per Section 12 below, Tenant shall immediately submit appropriate claims to effect repair and restoration of the Premises. If insurance proceeds are insufficient to fully effect such repair and restoration, or if the damage is not covered by Tenant's insurance, Tenant and Landlord shall work together to determine how to proceed, recognizing the special nature of the Premises.
10. Liens. Except as provided for in Section 8, Tenant shall not permit to be placed against the Premises, or any part of the Premises, any mechanics', materialmen's, contractors', subcontractors', or other liens. Tenant shall indemnify, defend (with counsel acceptable to Landlord) and hold Landlord harmless from all liability for any and all liens, claims, demands, together with the costs of defense and

reasonable attorneys' fees related to same. Landlord reserves the right, at any time and from time to time, to post and maintain on the Premises, any portion thereof or on the improvements on the Premises any notices of non-responsibility or other notice as may be desirable to protect Landlord against liability. In addition to and not in limitation of Landlord's other rights and remedies under this Lease, should Tenant fail, within ten (10) days of a written request from Landlord, to discharge any lien or claim related to Tenant's use of the Premises, or to indemnify, hold harmless and defend Landlord from and against any loss, damage, injury, liability or claim arising out of Tenant's use of the Premises as provided above, then Landlord, at its option, may elect to pay any lien, claim, loss, demand, injury, liability or damages or settle or discharge any action or satisfy any judgment and all costs, expenses, and attorney's fees incurred in doing so shall be paid to Landlord by Tenant upon written demand, together with interest thereon at the rate of seven percent (7%) per annum (but in no event more than maximum interest rate permitted by law) from the date incurred or paid through and including the payment date.

11. Indemnity. As a material part of the consideration to Landlord, to the fullest extent allowed by law, Tenant shall indemnify, defend (with counsel acceptable to Landlord) and hold Landlord, together with Landlord's agents, employees, officers, officials, and volunteers, harmless from and against any loss, damage, injury, accident, casualty, liability, claim, cost or expense (including, but not limited to, reasonable attorney's fees) of any kind or character to any person, including wrongful death, or property (collectively, "Claims") arising from or related to: (i) Tenant's occupation and/or use of the Premises, before, during, and after the Term and/or (ii) any act or omission of Tenant, its employees, agents, contractors or invitees. Tenant shall not be liable for such Claims to the extent and in the proportion that the same is ultimately determined to be attributable to the sole gross negligence or intentional misconduct of Landlord. All indemnity obligations under this Section shall survive the expiration or termination of this Lease. Landlord shall not be liable for any loss or theft or any property on the Premises.

12. Insurance.

12.1. Coverage. Tenant, at its sole cost and expense, shall, during the entire Term, keep in full force and effect: (i) a worker's compensation insurance policy as required by the State of California; and (ii) a policy or policies of general liability and property damage insurance, with respect to the Premises, in which the combined single limit of liability shall not be less than TWO MILLION DOLLARS (\$2,000,000). Tenant shall also maintain a standard form all-risk policy covering fire and extended coverage, vandalism, malicious mischief, sprinkler leakage and other perils of direct physical loss or damage insuring the personal property, trade fixtures and equipment of Tenant. Said policies shall name Landlord as additional insured and contain a clause that the insurer may not cancel

or change the insurance coverage limits without first giving Landlord thirty (30) days' prior written notice, except cancellation for nonpayment of premium, in which case only ten (10) days' prior written notice shall be required. Tenant's general liability insurance shall include a contractual liability endorsement insuring performance of all indemnities of Tenant under this Lease and a cross-liability endorsement to the extent insurable. Said insurance policy shall be with an insurance company or companies with general policy holders' rating of not less than "A-VIII" as rated in the most current available Best's Key Rating Guide and which are qualified to do business in the state in which the Premises are located.

- 12.2. Risk of Loss. Landlord shall not be liable for injury to any person or for any damage to personal property sustained by Tenant or others that arises from or relates to : (i) any defect or alleged defect in the Premises or any service facilities, (ii) the occurrence of any accident, including but not limited to damage cause by water, wind, storm, or by any gas, steam, electrical wiring, sprinkler system, plumbing, heating or conditioning apparatus, (iii) Tenant's acts or omissions or those of Tenant's agents, employees, invitees/customers, officers, volunteers or other occupants of the Premises, present with Tenant's permission or knowledge, (iv) any part or appurtenance of the Premises, including any and all furniture, fixtures, and equipment of Tenant becoming out of repair
- 12.3. Waiver of Subrogation. Tenant hereby releases Landlord from liability and waives all right of recovery against Landlord for any loss in or about the Premises from perils insured against under its fire or liability insurance contracts, including any and all risk endorsements thereof, whether due to negligence or any other cause. However, this Section shall be inapplicable as to a particular insurance contract to the extent it would have the effect of invalidating the coverage provided by that contract, whether of Landlord or Tenant. Nothing herein shall relieve Tenant of its obligation to request and procure, to the extent available on a commercially reasonable basis, the necessary endorsements required to validly waive subrogation in accordance with this paragraph. Tenant shall, at the request of Landlord, execute and deliver to Landlord a Waiver of Subrogation in the form and content as reasonably required by Landlord's risk manager. To the extent Tenant fails to maintain the insurance required under the terms of this lease, such failure shall be a defense to any claim asserted by Tenant against Landlord by reason of any loss sustained by Tenant due to circumstances that would have been covered had such required insurance been maintained.
- 12.4. Certificate of Insurance. A certificate issued by the insurance carrier for each policy of insurance required to be maintained by Tenant under the provisions of this Lease shall be delivered to Landlord upon or before the delivery of the Premises to Tenant for any purpose. Each of said

certificates of insurance and each such policy of insurance required to be maintained by Tenant hereunder shall expressly evidence insurance coverage as required by this Lease.

13. Defaults and Remedies.

- 13.1. Events of Default. Should Tenant be in default in the prompt and full performance of any obligation of the Lease for more than ten (10) days, (unless due to the nature of such default it is not capable of being cured within ten (10) days, in which event Tenant shall be in default unless it commences to cure such obligation within such ten (10) day period and thereafter diligently prosecute such cure to completion), after written notice from Landlord specifying the particulars of the default (any such notice being required by this Section for any breach, being deemed in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure, or any similar superseding statute), or should Tenant vacate or abandon the Premises, or should Tenant make any general assignment for the benefit of creditors (other than as provided in Section 8), or should substantially all of Tenant's assets located at the Premises or Tenant's interest in this Lease be attached or judicially seized where the seizure is not discharged within thirty (30) days, then Landlord may treat the occurrence of any one (1) or more of the foregoing events as a breach of this Lease and, in addition to any or all other rights or remedies of Landlord by law provided, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to Tenant or any other person: (i) to declare the Term ended and to re-enter and take possession of the Premises and remove all persons, property and improvements therefrom, or (ii) to re-enter the Premises, without declaring this Lease terminated and without terminating Tenant's rights to possession, and to occupy the whole or any part for and on account of Tenant, and to collect any unpaid rentals and other charges which have become payable or which may thereafter become payable, or (iii) to terminate this Lease and all of Tenant's rights as to the Premises hereunder, even though it may have previously re-entered the Premises without terminating this Lease. In any case in which Landlord shall re-enter and occupy the whole or any part of the Premises, by unlawful detainer proceedings or otherwise, Landlord, at its option, may repair, alter, subdivide, or change the character of the Premises from time to time in such manner as Landlord deems best, may re-let the Premises or any part thereof and receive the rents therefor, and none of such actions shall constitute a termination of this Lease, a release of Tenant from any liability hereunder. Landlord shall not be deemed to have terminated this Lease or liability of Tenant to pay any rent or other charges later accruing by any re-entry of the Premises as provided above, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that it has so elected to

terminate this Lease. Notwithstanding anything to the contrary set forth above, if the default complained of, other than a default for the payment of monies, cannot be rectified or cured within the period requiring rectification or curing, as specified in the written notice relating to the default, then, as to a default susceptible to being cured, the default shall be deemed to be rectified or cured if Tenant, within the notice period, shall have commenced to rectify or cure the default and shall thereafter diligently and continuously prosecute same to completion.

- 13.2. Termination of Lease. Should Landlord elect to terminate this Lease pursuant to this Section, Landlord may recover from Tenant all damages caused as a result of Tenant's default.
14. Waiver. Any waiver by Landlord of any default or breach of any covenant, condition, term, and agreement contained in this Lease, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by Landlord to require exact, full, and complete compliance with any of the covenants, conditions, terms, or agreements contained in this Lease be construed as changing the terms of this Lease in any manner or preventing Landlord from enforcing the full provisions hereof. No delay, failure, omission of Landlord to exercise any right, power, privilege, or option arising from any default or breach, nor any subsequent acceptance of payment then or thereafter by Landlord, shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or breach, or as relinquishment of any right. The rights, powers, options, privileges, and remedies available to Landlord under this Lease shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law and elsewhere provided in this lease.
15. Attorneys' Fees. Should either party to this Lease have to resort to litigation to enforce any provision of this Lease, the prevailing party shall be entitled to its attorneys' fees and reasonable costs incurred in litigating any dispute.
16. Access and Inspection. Landlord and its representatives, employees, agents or independent contractors shall have access to the Premises, or any portion thereof, at all times, upon reasonable notice to Tenant, for purposes of inspection, to show the Premises to prospective purchasers, to provide necessary services, to make necessary repairs or perform other services, or to post appropriate Notices of Non-Responsibility, all without being liable for any breach of a covenant of quiet enjoyment possessed by Tenant, of eviction of Tenant, or any other damage to Tenant or its operations. In exercising these rights, Landlord shall use its best efforts to minimize disruption or inconvenience to Tenant, and shall unless in an emergency, provide reasonable advance notice of any such entry onto the Premises or inspection thereof.

17. Prohibition on Assignment and Subletting.

17.1. Landlord's Consent. Except as otherwise provided in Section 8, Tenant may not assign, sublet or otherwise transfer its interest, under this Lease without Landlord's prior written consent, which consent may be withheld, conditioned or delayed in Landlord's sole and absolute discretion. Any attempted assignment, sublet or transfer made in violation of this provision shall be void.

17.2. Approved Assignments. The following events shall not be considered a transfer of interest under Section 17.1 above: (a) a change in ownership of Tenant as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of Tenant's stock on a national exchange or between Tenant'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 Tenant; (c) the Transfer of this Lease to Tenant's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with Tenant; or (d) a collateral assignment of Tenant's interest in this Lease to a lender as security for any indebtedness of Tenant to the lender. Tenant shall not be required to obtain Landlord's consent and Landlord 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 Landlord.

18. Notices. All written notices required to be given pursuant to the terms hereof shall be either (a) personally delivered, (b) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (c) delivered by overnight courier service, or (d) by 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. All such notices shall be deemed delivered upon actual receipt (or upon the first attempt at delivery pursuant to the methods specified in clauses (a), (b) or (c) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses, or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

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

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

19. No Principal/Agent Relationship. Nothing contained in this Lease shall be construed to render Landlord in any way or for any purpose a partner, joint venturer, or associate in any relationship with Tenant other than that of Landlord and Tenant, nor shall this lease be construed to authorize either to act as an agent for the other.
20. Entire Agreement, Modification. This lease constitutes the entire agreement between Landlord and Tenant pertaining to the subject matter of this Lease and supersedes all prior and contemporaneous agreements, representations and understandings of Landlord and Tenant, oral or written. No supplement, modifications or amendment of this Lease shall be binding unless in writing and executed by Tenant and Landlord.
21. Applicable Law and Venue. This Lease shall be construed and enforced in accordance with, and governed by, the laws of the State of California. The parties consent to the jurisdiction of California Courts with venue in Orange County.
22. Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.
23. Headings and Recitals. The headings of this Lease are for purposes of reference only and shall not limit or define the meaning of any provision.
24. Construction. The Parties acknowledge that each Party and its counsel have reviewed and revised this Lease and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Lease or any amendments hereto.
25. Memorandum of Lease for Recording. Landlord and Tenant shall, at the request of either at any time during the term of this lease, execute a memorandum or "short form" of this lease for purposes of, and in a form suitable for, recordation. The memorandum or "short form" of this lease shall describe the parties, set forth a description of the leased premises, specify the term of this lease, incorporate this lease by reference, and include any other provisions required by Lender(s).
26. Termination; Holdover. This Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over by Tenant after expiration shall not constitute a renewal or extension or give Tenant any rights in or to the Premises.



27. Incorporation of Attachments. All Attachments included herein or attached hereto are hereby incorporated into this Lease by this reference, and constitute an integral part of this Lease.
28. Time. Time is of the essence of every provision contained in this Lease.
29. Severability. If any one or more of the provisions contained in this Lease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Lease shall be construed as if such invalid, illegal, or unenforceable term or provision had never been contained herein.
30. Right of First Refusal. Tenant is hereby granted a Right of First Refusal to purchase the Property as follows: (a) Prior to soliciting any offer for sale of the Property or any interest in the Property, or accepting any offer to purchase the Property or any beneficial ownership interests in the Property, Landlord shall notify Tenant of such interest to sell or offer and deliver to Tenant a copy thereof. Tenant may exercise the Right of First Refusal by delivering to Landlord a written notice of exercise within ninety (90) days after Tenant has received Landlord's notice of an intent to sell. The purchase price shall be the fair market value of the Property determined as follows. Landlord shall provide Tenant with a list of no fewer than three appraisers for Tenant's approval. Tenant shall select one appraiser to perform the appraisal and determine the fair market value of the Property. Tenant may reject any appraiser for a reasonable cause. If any appraiser(s) are rejected with cause, Landlord will provide alternative appraiser(s) of an equal number. In the event Tenant fails to select an appraiser within fifteen (15) days of receiving the list of appraisers, Landlord may select an appraiser. Landlord shall pay the cost of the appraiser. Any appraiser selected pursuant to this section shall be an MAI appraiser with at least five years of experience. (b) In the event Tenant does not exercise the Right of First Refusal pursuant to subparagraphs (a) above, Landlord may sell the Property.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument of the Effective Date.




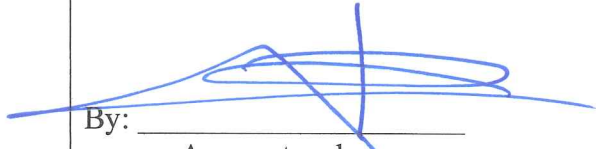
<p>LANDLORD CITY OF GARDEN GROVE, a California Municipal Corporation</p> <p> _____ City Manager</p> <p>Date: <u>5/12/16</u></p> <p>Attest:</p> <p> _____ City Clerk</p> <p>Approved as to form:</p> <p> _____ City Attorney</p>	<p>TENANT LAB HOLDING, LLC, a California Limited Liability Company</p> <p> By: _____ As agent and manager</p> <p>By: <u>SHAHKUN SADRCHAI</u></p> <p>Date: <u>May 09 2016</u></p> <p>By: _____</p> <p>Date: _____</p>
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Exhibit "A"  
**TENANT IMPROVEMENTS**

Exhibit "B"

**SCHEDULE OF PERFORMANCE**

<b>ITEM</b>	<b>MILESTONE</b>	<b>RESPONSIBLE PARTY</b>	<b>PROPOSED COMPLIANCE DATE(S)</b>	<b>ESTIMATED TIMELINE</b>
1	Approval of Lease.	N/A	May 10, 2016	May 10 2016
2	Preliminary project design and submittal to Landlord for review.	Tenant	Sept. 2, 2016	Sept. 2 2016
3	Effective Date/Commencement of Lease Term.	Landlord and Tenant	Not later than November 21, 2016.	Nov. 21 2016
4	Prepare and submit 100% Schematic Design to Landlord for review.	Tenant	Within one 120 days following Commencement of Lease Term.	March 21 2017
5	Planning Review. Landlord to expeditiously process and review plans, associated CEQA approvals and related documents pursuant to Section 19.3 of the DDA. Tenant to conduct community outreach and public engagement.	Landlord and Tenant	Not later than May 31, 2017.	May 21 2017
6	Complete 100% Construction Documents and submit to Landlord for review and approval.	Tenant	Not later than August 31, 2017	Aug. 21 2017
7	Building Review of Construction Documents. Landlord to expeditiously process and review plans associated with permits and approvals.	Landlord	Not later than October 31, 2017.	Oct. 21 2017
8	Commence construction. Landlord shall obtain Building Permits for construction of improvements.	Tenant	No later than November 21, 2017.	May 25 2017
9	Completion of Construction. Tenant agrees to complete improvements.	Tenant	No later than November 21, 2019	May 25 2019

SUBLEASE AGREEMENT BETWEEN  
CITY OF GARDEN GROVE AND  
LAB HOLDING, LLC

This Sublease Agreement (the "Sublease") is made and entered into this \_\_\_\_ Day of November, 2016 ("Effective Date") by and between CITY OF GARDEN GROVE, a municipal corporation of the State of California ("Landlord"), and Lab Holding, LLC., a California Limited Liability Company ("Tenant"). The undersigned parties agree to this Sublease based upon the following facts and upon the following terms and conditions.

RECITALS

- A. Landlord leases from its Housing Authority certain unimproved real property in the City of Garden Grove, County of Orange, State of California, identified as APNs 090-172-15 (12951 7<sup>th</sup> St.), 090-174-07 (11421 Garden Grove Blvd.), and 090-174-06 (12942 8<sup>th</sup> St.) ("the Property"). Collectively, the Property, including all rights and appurtenances pertaining to such land, including all adjacent streets, parking lots, alleys or rights of way, is referenced throughout this Sublease as the "Premises."
- B. Landlord desires to Sublease to Tenant and Tenant desires to Sublease from Landlord, the Premises pursuant to the terms and conditions set forth herein.

NOW THEREFORE, the Undersigned parties hereto agree as follows:

AGREEMENT

1. Sublease of Premises. Landlord hereby Subleases to Tenant, and Tenant hereby Subleases from Landlord, the Premises for the Term (as hereinafter defined) and upon the terms and conditions as set forth herein. Tenant accepts the Premises in an "As Is" condition without any representation or warranties being made by Landlord. Landlord expressly disclaims any warranty or representation with regard to the condition, safety or security of the Premises or suitability of the Premises for the Tenant's intended use.
2. Use.
  - 2.1. Generally. Tenant shall use the Premises for the purposes of developing, constructing and operating its Cottage Industries project, consisting of commercial uses, parking lots, landscaping, and for other reasonable associated uses consistent with Tenant's purposes as approved by the Landlord. Notwithstanding the foregoing, Tenant shall not cause or permit the Premises to be used in any way which (i) constitutes a violation of any law, ordinance, or governmental regulation or order regulating the manner of use by Tenant of the Premises (including, without limitation, any law ordinance, regulation, or order relating to Hazardous Materials),

(ii) constitutes a nuisance or waste, or (iii) increases the cost of any insurance relating to the Premises paid by Landlord. Tenant shall obtain, at its sole cost and expense, all governmental permits, licenses and authorizations of whatever nature required by any governmental agencies having jurisdiction over Tenant's use of the Premises. Further, Tenant, at its sole cost, will comply with all applicable governmental laws and regulations in connection with its operations within the City of Garden Grove. Tenant will also comply with any and all reasonable rules and regulations promulgated by Landlord. The Premises shall be used solely for the use described in this Section and for no other use or purpose.

2.2. Hazardous Materials. As used in this Sublease, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any applicable federal, state, or local laws or regulations, including without limitation petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. However, "Hazardous Materials" shall not include ordinary and general office supplies and common household cleaning materials. Tenant shall not cause or permit any Hazardous Materials to be generated, produced, brought upon, used, stored, treated, or disposed of in or about the Premises by Tenant, its agents, employees, contractors, sublessees or invitees in violation of any applicable laws, codes ordinances or regulations governing the same.

2.3. Existing Use of Premises. Tenant acknowledges that the City of Garden Grove Community Gardens is currently located and operated on APNs 090-174-06 (12942 8<sup>th</sup> St.) and 090-174-07 (11421 Garden Grove Blvd.). The current Gardens program ends on February 29, 2017, and Tenant agrees to the continued operation of the Gardens through February 29, 2017.

3. Term. The term of this Sublease shall be fifteen (15) years, commencing on the Effective Date (the "Term"), unless terminated earlier as provided in this Sublease.

4. Taxes.

4.1. Real Property Taxes and Assessments. Should the property interest conveyed by this Sublease be subject to real property taxation and/or

assessments, Tenant shall pay, before delinquency, all lawful taxes, assessments, fees or charges which may be levied by the State, County, City, or any other tax or assessment-levying body upon the Premises and any improvement thereon. TENANT UNDERSTANDS THAT THIS SUBLEASE MAY SUBJECT TENANT TO PROPERTY AND POSSESSORY INTEREST PROPERTY TAXATION as set out in Revenue & Taxation Code Section 107.6 *et seq.*

- 4.2. Personal Property Taxes. Tenant shall pay all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant, if any. Tenant shall use commercially reasonable efforts to have personal property taxes separately from the Premises if any tax becomes due as to the Premises. If any of Tenant's personal property is taxed with the Premises and paid by Landlord, Tenant shall reimburse Landlord the taxes for personal property within fifteen (15) days after tenant receives a written statement from Landlord for such personal property taxes, together with reasonable evidence showing the amount of personal property taxes paid by Landlord.
- 4.3. Payment of Taxes and Assessments. To the extent that any taxes or assessments are separately assessed to Tenant, Tenant shall pay the same before delinquency. If Tenant fails to pay any such taxes or assessments as and when Tenant is required to do so hereunder, Landlord shall have the option, but not the obligation, to pay such amount together with any and all interest and penalties, in which case the total amount so paid together with interest thereon at the rate of ten percent (10%) per annum, calculated from the date of payment by Landlord to the date of repayment by Tenant, shall be due and payable by Tenant to Landlord upon receipt of written notice from Landlord. All taxes and assessments not separately assessed to Tenant shall be paid by Landlord to the taxing authority, but the amount thereof shall be payable by Tenant to Landlord within 30 days of Landlord's invoice therefor.
5. Utilities. Tenant shall pay, directly to the appropriate supplier, the cost of all natural gas, heat, light, power, sewer service, telephone, water, refuse disposal and all other utilities and services used at the Premises or supplied to the Premises at Tenant's request.
6. Rent. Commencing on the Effective Date, Tenant agrees to pay Landlord, without notice or demand, annual rent of one dollar (\$1.00) in advance, on or before the first business day of each and every successive year during the Term. Tenant may pay, in advance, the full amount of the rent for the entire Term. Rent shall be paid to Landlord without deduction or offset, in lawful money of the United States of America and at such place as Landlord may from time to time designate in writing.

7. Improvements.

7.1 As Necessary to Use, Landlord Consent. Tenant shall, at its sole expense, make improvements to the Premises as necessary to fulfill or engage in its use of the Premises described herein. No construction or improvements to any part of the Premises shall be allowed unless Tenant first seeks and obtains Landlord's consent thereto, together with any necessary permits, approvals, licenses or other land use entitlements (in the aggregate, "Consent"). Such Consent, to the extent controlled by Landlord, shall not be unreasonably withheld or delayed.

7.2. Required Improvements by Tenant.

7.2.1. Tenant Improvements.

Tenant agrees to design, develop and construct the commercial uses, parking lots, and landscaping, as more particularly described in concept on Exhibit "A" subject to the Schedule of Performance in Exhibit "B" attached hereto and made part hereof ("Tenant Improvements"). Tenant shall be solely responsible for obtaining all necessary governmental approvals for the implementation of the design and construction of the Tenant Improvements. Landlord shall be allowed adequate opportunity to post Notices of Non-responsibility or other similar notices at the location of any Tenant Improvement before the commencement of work thereon.

7.2.2. All Work on Written Contract.

All work required in the construction of the Tenant Improvements, shall be performed only by competent contractors licensed under the laws of the State of California and shall be performed in accordance with written contracts with those contractors. Each such contract shall provide that the final payment under the contract due to the contractor shall be in an amount equaling at least 5 percent of the full amount payable under the contract and shall not be paid to contractor until whichever of the following last occurs: (i) The expiration of 35 days from the date of recording by Tenant as owner of a Notice of Completion of the Tenant Improvements, Tenant agreeing to record that Notice of Completion promptly within the time specified by law for the recording of that notice; or (ii) The settlement and discharge of all liens of record claimed by persons who supplied either labor or materials for the construction of the Tenant Improvements.

7.2.3. [Ommitted].



#### 7.2.4. Time for Completion.

Tenant shall cause construction of the Tenant Improvements to be commenced pursuant to the timeline in the Schedule of Performance, and shall then cause construction of the Tenant Improvements to be diligently pursued without unnecessary interruption, and shall cause the Tenant Improvements to be completed and ready for occupancy per the Schedule of Performance. Tenant shall be excused for any delays in construction or commencement of construction caused by the act of Landlord, the act of any agent of Landlord, the act of 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 Tenant's control. Tenant shall, however, use reasonable diligence to avoid any such delay and to resume construction as promptly as possible after the delay. Landlord's City Manager shall have the authority to approve reasonable adjustments to the timeline in the Schedule of Performance.

- 7.3 Submission of Plans. Within 120 days of Landlord's approval of the Sublease, the Tenant shall submit final site plans, floor plans and elevations, and other such information to Landlord as Landlord may reasonably request, to allow Landlord to evaluate compliance with the construction of Tenant Improvements and any proposed alterations to Tenant Improvements. Such plans shall be prepared by a licensed architect or engineer, and shall include a statement of estimated construction costs for the Tenant Improvements prepared by the engaged architect or engineer.
- 7.4. Prevailing Wage, ADA. Tenant understands and agrees that in implementing the Tenant Improvements, it has the legal obligation to comply with, and contractually require contractor and subcontractor compliance with, California's prevailing wage laws codified at Labor Code Section 1770 *et. Seq.* Furthermore, Tenant hereby assumes full and sole responsibility for ensuring that access to and through the Premises is consistent with the Americans with Disabilities Act and other similar laws and regulations
- 7.5. Removal and Retention of Improvements. Upon termination or expiration of this Sublease, Tenant Shall, at its sole cost and expense, remove all non-fixed improvements or alterations to the Premises upon written request and authorization by the Landlord, and shall return the Premises to Landlord in substantially the same condition as they were on the Effective Date of this Sublease, or as improved via structural alteration approved by Landlord, ordinary wear and tear excepted. Any fixture or structural alteration to the Premises shall remain on and be surrendered with the Premises upon the termination or expiration of the Sublease without compensation to Tenant, unless Landlord specifically directs Tenant in

writing to remove all or any such fixture or alteration. Such direction to remove a fixture or structural alteration (a "Removal Directive") shall be given not less than sixty (60) days before the date of termination or expiration of the Sublease. Tenant shall be solely responsible for implementing any Removal Directive and restoring the Premises to substantially the same condition as upon the Effective Date of this Sublease.

7.6. Quitclaim Deed. Upon termination of this Sublease for any reason, including but not limited to termination because of default by Tenant, Tenant shall execute, acknowledge, and deliver to Landlord within 30 days after receipt of written demand therefor, a good and sufficient deed whereby all right, title and interest of Tenant in the Premises and any improvements which are not to be removed therefrom pursuant to this Sublease is quitclaimed to Landlord. Should Tenant fail or refuse to deliver the required deed to Landlord, Landlord may prepare and record a notice reciting the failure of Tenant to execute, acknowledge, and deliver such deed and said notice shall be conclusive evidence of the termination of this Sublease and of all right of Tenant or of those claiming under Tenant in and to the in the Premises and said improvements.

7.7. Signage, Limitations of Landlord Approval. Tenant expressly agrees to comply with all applicable signage ordinances. No structure, sign or other improvement of any kind shall be constructed on the Premises by Tenant, its employees, agents or contractors without the prior written approval of Landlord in each case. Approval may be withheld, conditioned or delayed in Landlord's sole and absolute discretion. No changes, modifications or alterations from approved plans and specifications may be made without Landlord's prior written approval. No approval by Landlord of any plans specifications shall constitute: (i) approval of architectural or engineering sufficiency or representation (ii) warranty by Landlord as to the adequacy or sufficiency of the plans and specifications or the improvements contemplated for Tenant's use or purpose. Landlord, by approving the plans and specifications, assumes no responsibility or liability for any defect in any improvements constructed on the basis of the plans and specifications.

## 8. Encumbrance of leasehold

8.1 Tenant's Right to Encumber. Tenant may encumber to any institutional construction lender regulated by state or federal authority (referred to in this Sublease as "Lender"), by deed of trust or mortgage or other security instrument, all of Tenant's interest under this Sublease and the leasehold estate hereby created in Tenant (referred to in this Sublease as a "Leasehold Encumbrance") for purposes only related to the construction of the Tenant Improvements. However, no Leasehold Encumbrance

incurred by Tenant in accordance with this Section shall, and Tenant shall not have power to incur any encumbrance that shall constitute in any way a lien or encumbrance on Landlord's fee interest in the Premises. Any Leasehold Encumbrance shall be subject to all covenants, conditions, and restrictions set forth in this Sublease and to all rights and interests of Landlord, except as is otherwise provided in this Sublease. Tenant shall give Landlord prior written notice of any Leasehold Encumbrance, together with a copy of the deed of trust, mortgage, or other security interest evidencing the Leasehold Encumbrance.

- 8.2. Notice to and Service on Lender. Landlord shall mail to any Lender who has given Landlord written notice of its name and address, a duplicate copy of any and all notices Landlord may from time to time give to or serve on Tenant in accordance with or relating to this Sublease, including but not limited to any notice of default, notice of termination, or notice regarding any matter on which Landlord may predicate or claim a default. Any notices or other communications permitted by this or any other section of this Sublease or by law to be served on or given to Lender by Landlord shall be deemed duly served on or given to Lender when deposited in the United States mail, first-class postage prepaid, addressed to Lender at the last mailing address for Lender furnished in writing by Lender to Landlord.
- 8.3. No Modification Without Lender's Consent. For as long as there is any Leasehold Encumbrance in effect, Tenant and Landlord hereby expressly stipulate and agree that they will not modify this Sublease in any way nor cancel this Sublease by mutual agreement without the written consent of Lender having that Leasehold Encumbrance.
- 8.4. Right of Lender to Realize on Security. A Lender with a Leasehold Encumbrance shall have the right at any time during the term of this Sublease and the existence of the encumbrance to do both of the following:
  - 8.4.1. Any act or thing required of Tenant under this Sublease, and any such act or thing done and performed by Lender shall be as effective to prevent a forfeiture of Tenant's rights under this Sublease as if done by Tenant; and
  - 8.4.2. Realize on the security afforded by the leasehold estate by foreclosure proceedings, accepting an assignment in lieu of foreclosure, or other remedy afforded in law or in equity or by the security instrument evidencing the Leasehold Encumbrance (referred to in this Sublease as "the Security Instrument"), and

- 8.4.3. To transfer, convey, or assign the title of Tenant to the leasehold estate created by this Sublease to any purchaser at any foreclosure sale, whether the foreclosure sale is conducted under court order or a power of sale contained in the Security Instrument, or to an assignee under an assignment in lieu of foreclosure; and
- 8.4.4. To acquire and succeed to the interest of Tenant under this Sublease by virtue of any foreclosure sale, whether the foreclosure sale is conducted under a court order or a power of sale contained in the Security Instrument, or by virtue of an assignment in lieu of foreclosure.

The Lender or any person or entity acquiring the leasehold estate shall be liable to perform Tenant's obligations under this Sublease only during the period, if any, in which that entity or person has ownership of the leasehold estate or possession of the Premises.

- 8.5. Right of Lender to Cure Defaults. For as long as there is in effect any Leasehold Encumbrance, before Landlord may terminate this Sublease because of any default under or breach of this Sublease by Tenant, Landlord must give written notice of the default or breach to Lender and afford Lender the opportunity after service of the notice to do one of the following:
  - 8.5.1. Cure the breach or default within 10 days after expiration of the time period granted to Tenant under this Sublease for curing a default, when the default can be cured by the payment of money to Landlord or some other person;
  - 8.5.2. Cure the breach or default within 30 days after expiration of the time period granted to Tenant under this Sublease for curing a default, when the breach or default must be cured by something other than the payment of money and can be cured within that time; or
  - 8.5.3. Cure the breach or default in any reasonable time that may be required when something other than money is required to cure the breach or default and cannot be performed within 30 days after expiration of the time period granted to the tenant under this Sublease for curing a default, provided that acts to cure the breach or default are commenced within that time period after service of notice of default on Lender by Landlord and are thereafter diligently continued by Lender.
- 8.6. Foreclosure in Lieu of Curing Default. Notwithstanding any other provision of this Sublease, a Lender under a Leasehold Encumbrance may

forestall termination of this Sublease by Landlord for a default under or breach of this Sublease by Tenant by commencing proceedings to foreclose the Leasehold Encumbrance. The proceedings so commenced may be for foreclosure of the Leasehold Encumbrance by order of court or for foreclosure of the Leasehold Encumbrance under a power of sale contained in the Security Instrument. The proceedings shall not, however, forestall termination of this Sublease by Landlord for the default or breach by Tenant unless all of the following conditions are met:

8.6.1. The proceedings are commenced within 30 days after service on Lender of the notice described in subsection (f) of Section 8;

8.6.2. The proceedings are, after having been commenced, diligently pursued in the manner required by law to completion; and

8.6.3. Lender keeps and performs all of the terms, covenants, and conditions of this Sublease requiring the payment or expenditure of money by Tenant until the foreclosure proceedings are complete or are discharged by redemption, satisfaction, payment, or conveyance of the leasehold estate to Lender.

8.7. Assignment Without Consent on Foreclosure. A transfer of Tenant's leasehold interest under this Sublease to any of the following shall not require the prior consent of Landlord:

8.7.1. A purchaser at a foreclosure sale of the Leasehold Encumbrance, whether the foreclosure sale is conducted under court order or a power of sale in the instrument creating the encumbrance, provided Lender under the Leasehold Encumbrance gives Landlord written notice of the transfer, including the name and address of the purchaser and the effective date of the transfer;

8.7.2. An assignee of the leasehold estate of Tenant under an assignment in lieu of foreclosure, provided Lender under the Leasehold Encumbrance gives Landlord written notice of the transfer, including the name and address of the assignee and the effective date of the assignment; or

8.7.3. A purchaser or assignee of the purchaser at a foreclosure sale of the Leasehold Encumbrance or of the assignee of the leasehold estate of Tenant acquired under an assignment in lieu of foreclosure, provided the purchaser or assignee delivers to Landlord its written agreement to be bound by all of the provisions of this Sublease.

- 8.8. New Sublease to Lender. Notwithstanding any other provision of this Sublease, should this Sublease terminate because of any default under or breach of this Sublease by Tenant, Landlord may enter into a new Sublease for the Premises with Lender under a Leasehold Encumbrance, as Tenant, provided all of the following conditions are satisfied:
- 8.8.1. A written request for the new Sublease is served on Landlord by Lender within 30 days after service on Lender of the notice described in Subsection (f) of Section 8 of this Sublease;
  - 8.8.2. The new Sublease
    - 8.8.2.1. Is for a term ending on the same date the term of this Sublease would have ended had this Sublease not been terminated;
    - 8.8.2.2. Provides for the payment of rent at the same rate that would have been payable under this Sublease during the remaining term of this Sublease had this Sublease not been terminated; and
    - 8.8.2.3. Contains the same terms, covenants, conditions, and provisions as are contained in this Sublease (except those that have already been fulfilled or are no longer applicable);
  - 8.8.3. Lender, on execution of the new Sublease by Landlord, shall pay any and all sums that would at the time of the execution of the new Sublease be due under this Sublease but for its termination and shall otherwise fully remedy, or agree in writing to remedy, any other defaults under or breaches of this Sublease committed by Tenant that can be remedied;
  - 8.8.4. Lender, on execution of the new Sublease, shall pay all reasonable costs and expenses, including attorneys' fees and court costs, incurred in terminating this Sublease, recovering possession of the Premises from Tenant or the representative of Tenant, and preparing the new Sublease;
  - 8.8.5. The new Sublease shall be subject to all existing subleases between Tenant and subtenants, provided that for any sublease, the subtenant agrees in writing to attorn to Lender (or its assignee); and
  - 8.8.6. The new Sublease shall be assignable by Lender but not by any assignee of Lender without the prior written consent of Landlord.

- 8.9. No Merger of Leasehold and Fee Estates. For as long as any Leasehold Encumbrance is in existence, there shall be no merger of the leasehold estate created by this Sublease and the fee estate of Landlord in the Premises merely because both estates have been acquired or become vested in the same person or entity, unless Lender otherwise consents in writing.
- 8.10. Lender as Assignee of Sublease. No Lender under any Leasehold Encumbrance shall be liable to Landlord as an assignee of this Sublease unless and until Lender acquires all rights of Tenant under this Sublease through foreclosure, an assignment in lieu of foreclosure, or as a result of some other action or remedy provided by law or by the instrument creating the Leasehold Encumbrance.
- 8.11. Lender as Including Subsequent Security Holders. The term "Lender" as used in this Sublease shall mean not only the institutional lender that loaned money to Tenant and is named as beneficiary, mortgagee, secured party, or security holder in the Security Instrument creating any Leasehold Encumbrance, but also all subsequent purchasers or assignees of the leasehold interest secured by the Leasehold Encumbrance.
- 8.12. Two or More Lenders. In the event two or more Lenders each exercise their rights under this Sublease and there is a conflict that renders it impossible to comply with all requests of Lenders, the Lender whose Leasehold Encumbrance would have senior priority in the event of a foreclosure shall prevail.

9. Maintenance and Repair.

- 9.1. General Maintenance and Repairs. Tenant shall be responsible to perform general maintenance and repair of the Premises, including but not limited to all common areas, landscaping, irrigation and parking facilities, and keep all portions of the Premises in a clean and orderly condition. Tenant shall be responsible for any damage done in or to the Premises caused by Tenant, sub-tenants or its employees, agents, contractors and invitees. Upon termination of this Sublease, Tenant shall peaceably surrender and quit the Premises in good order, condition and repair, reasonable wear and tear excepted, and at its sole expense, except as otherwise specified in Section 7.5 above, shall remove all of its trade fixtures and personal property and repair any damage to the Premises occasioned by removal of these items.
- 9.2. Capital Repairs and Improvements. Tenant acknowledges and agrees that Tenant has inspected the Premises and has substantial knowledge as to the condition of the Premises. Landlord shall not be responsible for capital

repairs or improvements to the Premises. Subject to the terms herein, Tenant hereby waives its rights to compel Landlord to repair, replace, upgrade or otherwise maintain the Premises.

- 9.3. Destruction of Premises. If the Premises, or any portion thereof, are destroyed or damaged by any reason, Landlord and Tenant agree as follows: If the damage is covered by Tenant's insurance maintained per Section 12 below, Tenant shall immediately submit appropriate claims to effect repair and restoration of the Premises. If insurance proceeds are insufficient to fully effect such repair and restoration, or if the damage is not covered by Tenant's insurance, Tenant and Landlord shall work together to determine how to proceed, recognizing the special nature of the Premises.
10. Liens. Except as provided for in Section 8, Tenant shall not permit to be placed against the Premises, or any part of the Premises, any mechanics', materialmen's, contractors', subcontractors', or other liens. Tenant shall indemnify, defend (with counsel acceptable to Landlord) and hold Landlord and its Housing Authority harmless from all liability for any and all liens, claims, demands, together with the costs of defense and reasonable attorneys' fees related to same. Landlord reserves the right, at any time and from time to time, to post and maintain on the Premises, any portion thereof or on the improvements on the Premises any notices of non-responsibility or other notice as may be desirable to protect Landlord against liability. In addition to and not in limitation of Landlord's other rights and remedies under this Sublease, should Tenant fail, within ten (10) days of a written request from Landlord, to discharge any lien or claim related to Tenant's use of the Premises, or to indemnify, hold harmless and defend Landlord from and against any loss, damage, injury, liability or claim arising out of Tenant's use of the Premises as provided above, then Landlord, at its option, may elect to pay any lien, claim, loss, demand, injury, liability or damages or settle or discharge any action or satisfy any judgment and all costs, expenses, and attorney's fees incurred in doing so shall be paid to Landlord by Tenant upon written demand, together with interest thereon at the rate of seven percent (7%) per annum (but in no event more than maximum interest rate permitted by law) from the date incurred or paid through and including the payment date.
11. Indemnity. As a material part of the consideration to Landlord, to the fullest extent allowed by law, Tenant shall indemnify, defend (with counsel acceptable to Landlord) and hold Landlord and its Housing Authority, together with Landlord's agents, employees, officers, officials, and volunteers, harmless from and against any loss, damage, injury, accident, casualty, liability, claim, cost or expense (including, but not limited to, reasonable attorney's fees) of any kind or character to any person, including wrongful death, or property (collectively, "Claims") arising from or related to: (i) Tenant's occupation and/or use of the Premises, before, during, and after the Term and/or (ii) any act or omission of Tenant, its employees, agents, contractors or invitees. Tenant shall not be liable for such



Claims to the extent and in the proportion that the same is ultimately determined to be attributable to the sole gross negligence or intentional misconduct of Landlord or its Housing Authority. All indemnity obligations under this Section shall survive the expiration or termination of this Sublease. Landlord or its Housing Authority shall not be liable for any loss or theft or any property on the Premises.

12. Insurance.

12.1. Coverage. Tenant, at its sole cost and expense, shall, during the entire Term, keep in full force and effect: (i) a worker's compensation insurance policy as required by the State of California; and (ii) a policy or policies of general liability and property damage insurance, with respect to the Premises, in which the combined single limit of liability shall not be less than TWO MILLION DOLLARS (\$2,000,000). Tenant shall also maintain a standard form all-risk policy covering fire and extended coverage, vandalism, malicious mischief, sprinkler leakage and other perils of direct physical loss or damage insuring the personal property, trade fixtures and equipment of Tenant. Said policies shall name Landlord as additional insured and contain a clause that the insurer may not cancel or change the insurance coverage limits without first giving Landlord thirty (30) days' prior written notice, except cancellation for nonpayment of premium, in which case only ten (10) days' prior written notice shall be required. Tenant's general liability insurance shall include a contractual liability endorsement insuring performance of all indemnities of Tenant under this Sublease and a cross-liability endorsement to the extent insurable. Said insurance policy shall be with an insurance company or companies with general policy holders' rating of not less than "A-VIII" as rated in the most current available Best's Key Rating Guide and which are qualified to do business in the state in which the Premises are located.

12.2. Risk of Loss. Landlord and its Housing Authority shall not be liable for injury to any person or for any damage to personal property sustained by Tenant or others that arises from or relates to : (i) any defect or alleged defect in the Premises or any service facilities, (ii) the occurrence of any accident, including but not limited to damage cause by water, wind, storm, or by any gas, steam, electrical wiring, sprinkler system, plumbing, heating or conditioning apparatus, (iii) Tenant's acts or omissions or those of Tenant's agents, employees, invitees/customers, officers, volunteers or other occupants of the Premises, present with Tenant's permission or knowledge, (iv) any part or appurtenance of the Premises, including any and all furniture, fixtures, and equipment of Tenant becoming out of repair

12.3. Waiver of Subrogation. Tenant hereby releases Landlord and its Housing Authority from liability and waives all right of recovery against Landlord or its Housing Authority for any loss in or about the Premises from perils

insured against under its fire or liability insurance contracts, including any and all risk endorsements thereof, whether due to negligence or any other cause. However, this Section shall be inapplicable as to a particular insurance contract to the extent it would have the effect of invalidating the coverage provided by that contract, whether of Landlord or Tenant. Nothing herein shall relieve Tenant of its obligation to request and procure, to the extent available on a commercially reasonable basis, the necessary endorsements required to validly waive subrogation in accordance with this paragraph. Tenant shall, at the request of Landlord, execute and deliver to Landlord a Waiver of Subrogation in the form and content as reasonably required by Landlord's risk manager. To the extent Tenant fails to maintain the insurance required under the terms of this Sublease, such failure shall be a defense to any claim asserted by Tenant against Landlord by reason of any loss sustained by Tenant due to circumstances that would have been covered had such required insurance been maintained.

- 12.4. Certificate of Insurance. A certificate issued by the insurance carrier for each policy of insurance required to be maintained by Tenant under the provisions of this Sublease shall be delivered to Landlord upon or before the delivery of the Premises to Tenant for any purpose. Each of said certificates of insurance and each such policy of insurance required to be maintained by Tenant hereunder shall expressly evidence insurance coverage as required by this Sublease.

### 13. Defaults and Remedies.

- 13.1. Events of Default. Should Tenant be in default in the prompt and full performance of any obligation of the Sublease for more than ten (10) days, (unless due to the nature of such default it is not capable of being cured within ten (10) days, in which event Tenant shall be in default unless it commences to cure such obligation within such ten (10) day period and thereafter diligently prosecute such cure to completion), after written notice from Landlord specifying the particulars of the default (any such notice being required by this Section for any breach, being deemed in lieu of, and not in addition to, any notice required under Section 1161 of the California Code of Civil Procedure, or any similar superseding statute), or should Tenant vacate or abandon the Premises, or should Tenant make any general assignment for the benefit of creditors (other than as provided in Section 8), or should substantially all of Tenant's assets located at the Premises or Tenant's interest in this Sublease be attached or judicially seized where the seizure is not discharged within thirty (30) days, then Landlord may treat the occurrence of any one (1) or more of the foregoing events as a breach of this Sublease and, in addition to any or all other rights or remedies of Landlord by law provided, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind

to Tenant or any other person: (i) to declare the Term ended and to re-enter and take possession of the Premises and remove all persons, property and improvements therefrom, or (ii) to re-enter the Premises, without declaring this Sublease terminated and without terminating Tenant's rights to possession, and to occupy the whole or any part for and on account of Tenant, and to collect any unpaid rentals and other charges which have become payable or which may thereafter become payable, or (iii) to terminate this Sublease and all of Tenant's rights as to the Premises hereunder, even though it may have previously re-entered the Premises without terminating this Sublease. In any case in which Landlord shall re-enter and occupy the whole or any part of the Premises, by unlawful detainer proceedings or otherwise, Landlord, at its option, may repair, alter, subdivide, or change the character of the Premises from time to time in such manner as Landlord deems best, may re-let the Premises or any part thereof and receive the rents therefor, and none of such actions shall constitute a termination of this Sublease, a release of Tenant from any liability hereunder. Landlord shall not be deemed to have terminated this Sublease or liability of Tenant to pay any rent or other charges later accruing by any re-entry of the Premises as provided above, or by any action in unlawful detainer or otherwise to obtain possession of the Premises, unless Landlord shall have notified Tenant in writing that it has so elected to terminate this Sublease. Notwithstanding anything to the contrary set forth above, if the default complained of, other than a default for the payment of monies, cannot be rectified or cured within the period requiring rectification or curing, as specified in the written notice relating to the default, then, as to a default susceptible to being cured, the default shall be deemed to be rectified or cured if Tenant, within the notice period, shall have commenced to rectify or cure the default and shall thereafter diligently and continuously prosecute same to completion.

13.2. Termination of Sublease. Should Landlord elect to terminate this Sublease pursuant to this Section, Landlord may recover from Tenant all damages caused as a result of Tenant's default.

14. Waiver. Any waiver by Landlord of any default or breach of any covenant, condition, term, and agreement contained in this Sublease, shall not be construed to be a waiver of any subsequent or other default or breach, nor shall failure by Landlord to require exact, full, and complete compliance with any of the covenants, conditions, terms, or agreements contained in this Sublease be construed as changing the terms of this Sublease in any manner or preventing Landlord from enforcing the full provisions hereof. No delay, failure, omission of Landlord to exercise any right, power, privilege, or option arising from any default or breach, nor any subsequent acceptance of payment then or thereafter by Landlord, shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or breach, or as relinquishment of any right. The rights, powers, options, privileges, and remedies available to

Landlord under this Sublease shall not be exclusive but shall be cumulative with and in addition to all remedies now or hereafter allowed by law and elsewhere provided in this Sublease.

15. Attorneys' Fees. Should either party to this Sublease have to resort to litigation to enforce any provision of this Sublease, the prevailing party shall be entitled to its attorneys' fees and reasonable costs incurred in litigating any dispute.
16. Access and Inspection. Landlord and its representatives, employees, agents or independent contractors shall have access to the Premises, or any portion thereof, at all times, upon reasonable notice to Tenant, for purposes of inspection, to show the Premises to prospective purchasers, to provide necessary services, to make necessary repairs or perform other services, or to post appropriate Notices of Non-Responsibility, all without being liable for any breach of a covenant of quiet enjoyment possessed by Tenant, of eviction of Tenant, or any other damage to Tenant or its operations. In exercising these rights, Landlord shall use its best efforts to minimize disruption or inconvenience to Tenant, and shall unless in an emergency, provide reasonable advance notice of any such entry onto the Premises or inspection thereof.
17. Prohibition on Assignment and Subletting.
  - 17.1. Landlord's Consent. Except as otherwise provided in Section 8, Tenant may not assign, sublet or otherwise transfer its interest, under this Sublease without Landlord's prior written consent, which consent may be withheld, conditioned or delayed in Landlord's sole and absolute discretion. Any attempted assignment, sublet or transfer made in violation of this provision shall be void.
  - 17.2. Approved Assignments. The following events shall not be considered a transfer of interest under Section 17.1 above: (a) a change in ownership of Tenant as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of Tenant's stock on a national exchange or between Tenant'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 Tenant; (c) the Transfer of this Sublease to Tenant's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with Tenant; or (d) a collateral assignment of Tenant's interest in this Sublease to a lender as security for any indebtedness of Tenant to the lender. Tenant shall not be required to obtain Landlord's consent and Landlord 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 Landlord.

18. Notices. All written notices required to be given pursuant to the terms hereof shall be either (a) personally delivered, (b) deposited in the United States express mail or first class mail, registered or certified, return receipt requested, postage prepaid, (c) delivered by overnight courier service, or (d) by 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. All such notices shall be deemed delivered upon actual receipt (or upon the first attempt at delivery pursuant to the methods specified in clauses (a), (b) or (c) above if the intended recipient refuses to accept delivery). All such notices shall be delivered to the following addresses, or to such other address as the receiving Party may from time to time specify by written notice to the other Party:

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

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

19. No Principal/Agent Relationship. Nothing contained in this Sublease shall be construed to render Landlord in any way or for any purpose a partner, joint venturer, or associate in any relationship with Tenant other than that of Landlord and Tenant, nor shall this Sublease be construed to authorize either to act as an agent for the other.
20. Entire Agreement, Modification. This Sublease constitutes the entire agreement between Landlord and Tenant pertaining to the subject matter of this Sublease and supersedes all prior and contemporaneous agreements, representations and understandings of Landlord and Tenant, oral or written. No supplement, modifications or amendment of this Sublease shall be binding unless in writing and executed by Tenant and Landlord.
21. Applicable Law and Venue. This Sublease shall be construed and enforced in accordance with, and governed by, the laws of the State of California. The parties consent to the jurisdiction of California Courts with venue in Orange County.
22. Counterparts. This Sublease may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

23. Headings and Recitals. The headings of this Sublease are for purposes of reference only and shall not limit or define the meaning of any provision.
24. Construction. The Parties acknowledge that each Party and its counsel have reviewed and revised this Sublease and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Sublease or any amendments hereto.
25. Memorandum of Sublease for Recording. Landlord and Tenant shall, at the request of either at any time during the term of this Sublease, execute a memorandum or "short form" of this Sublease for purposes of, and in a form suitable for, recordation. The memorandum or "short form" of this Sublease shall describe the parties, set forth a description of the leased premises, specify the term of this Sublease, incorporate this Sublease by reference, and include any other provisions required by Lender(s).
26. Termination; Holdover. This Sublease shall terminate without further notice at the expiration of the Sublease Term. Any holding over by Tenant after expiration shall not constitute a renewal or extension or give Tenant any rights in or to the Premises.
27. Incorporation of Attachments. All Attachments included herein or attached hereto are hereby incorporated into this Sublease by this reference, and constitute an integral part of this Sublease.
28. Time. Time is of the essence of every provision contained in this Sublease.
29. Severability. If any one or more of the provisions contained in this Sublease shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Sublease shall be construed as if such invalid, illegal, or unenforceable term or provision had never been contained herein.
30. Right of First Refusal. Tenant is hereby granted a Right of First Refusal to purchase the Property as follows: (a) Prior to soliciting any offer for sale of the Property or any interest in the Property, or accepting any offer to purchase the Property or any beneficial ownership interests in the Property, Landlord shall notify Tenant of such interest to sell or offer and deliver to Tenant a copy thereof. Tenant may exercise the Right of First Refusal by delivering to Landlord a written notice of exercise within ninety (90) days after Tenant has received Landlord's notice of an intent to sell. The purchase price shall be the fair market value of the Property determined as follows. Landlord shall provide Tenant with a list of no fewer than three appraisers for Tenant's approval. Tenant shall select one appraiser to perform the appraisal and determine the fair market value of the Property. Tenant may reject any appraiser for a reasonable cause. If any appraiser(s) are rejected with cause, Landlord will provide alternative appraiser(s)

of an equal number. In the event Tenant fails to select an appraiser within fifteen (15) days of receiving the list of appraisers, Landlord may select an appraiser. Landlord shall pay the cost of the appraiser. Any appraiser selected pursuant to this section shall be an MAI appraiser with at least five years of experience. (b) In the event Tenant does not exercise the Right of First Refusal pursuant to subparagraphs (a) above, Landlord may sell the Property.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, Landlord and Tenant have executed this instrument of the Effective Date.



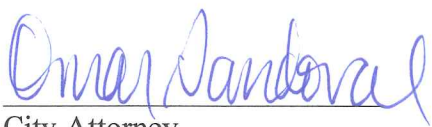
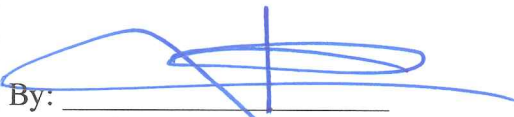

<p>LANDLORD CITY OF GARDEN GROVE, a California Municipal Corporation</p> <p> _____ City Manager</p> <p>Date: <u>5/12/16</u></p> <p>Attest:</p> <p> _____ City Clerk</p> <p>Approved as to form:</p> <p> _____ City Attorney</p>	<p>TENANT LAB HOLDING, LLC, a California Limited Liability Company</p> <p> By: _____ As agent and manager</p> <p>By:  _____ Date: <u>May 25 2016</u></p> <p>By: _____ Date: _____</p>
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Exhibit "A"  
**TENANT IMPROVEMENTS**

Exhibit "B"

**SCHEDULE OF PERFORMANCE**

<b>ITEM</b>	<b>MILESTONE</b>	<b>RESPONSIBLE PARTY</b>	<b>PROPOSED COMPLIANCE DATE(S)</b>	<b>ESTIMATED TIMELINE</b>
1	Approval of Lease.	N/A	May 10, 2016	May 10 2016
2	Preliminary project design and submittal to Landlord for review.	Tenant	Sept. 2, 2016	Sept. 2 2016
3	Effective Date/Commencement of Lease Term.	Landlord and Tenant	Not later than November 21, 2016.	Nov. 21 2016
4	Prepare and submit 100% Schematic Design to Landlord for review.	Tenant	Within one 120 days following Commencement of Lease Term.	March 21 2017
5	Planning Review. Landlord to expeditiously process and review plans, associated CEQA approvals and related documents pursuant to Section 19.3 of the DDA. Tenant to conduct community outreach and public engagement.	Landlord and Tenant	Not later than May 31, 2017.	May 21 2017
6	Complete 100% Construction Documents and submit to Landlord for review and approval.	Tenant	Not later than August 31, 2017	Aug. 21 2017
7	Building Review of Construction Documents. Landlord to expeditiously process and review plans associated with permits and approvals.	Landlord	Not later than October 31, 2017.	Oct. 21 2017
8	Commence construction. Landlord shall obtain Building Permits for construction of improvements.	Tenant	No later than November 21, 2017.	May 25 2017
9	Completion of Construction. Tenant agrees to complete improvements.	Tenant	No later than November 21, 2019	May 25 2019

ASSIGNMENT AND ASSUMPTION AGREEMENT

BY AND BETWEEN

THE CITY OF GARDEN GROVE

AND

LAB HOLDING LLC

RELATING TO THE DISPOSITION AND DEVELOPMENT  
AGREEMENT, THE LEASE, AND THE SUBLEASE FOR THE  
COTTAGE INDUSTRIES PROJECT

APPROVED

MAY 10, 2016

**ASSIGNMENT AND ASSUMPTION AGREEMENT  
RELATING TO THE DISPOSITION AND DEVELOPMENT AGREEMENT,  
THE LEASE, AND THE SUBLEASE  
BETWEEN THE CITY OF GARDEN GROVE AND  
LAB HOLDING, LLC, FOR  
THE COTTAGE INDUSTRIES PROJECT**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assignment") is made and entered into, and is to be effective this 31<sup>st</sup> day of May, 2016, by and among CITY OF GARDEN GROVE, a California municipal corporation ("CITY"), LAB HOLDING, LLC, a California limited liability company ("LAB"), and COTTAGE INDUSTRIES LLC, a California limited liability company ("COTTAGE"). CITY, LAB, and COTTAGE are hereinafter collectively referred to as the "Parties".

**RECITALS**

A. CITY's City Council on May 10, 2016, approved a Disposition and Development Agreement, Lease and Sublease with LAB (the "Agreements"), for the disposition of twelve parcels developed with single family homes, the lease of two vacant parcels, and sublease of three vacant parcels, all within the CITY's Civic Center Area for development of the Cottage Industries project.

B. On May 11, 2016, LAB notified CITY that it had received confirmation from the State of California, Secretary of State, that the organization of COTTAGE had been accepted and completed on April 27, 2016.

C. COTTAGE is wholly owned and controlled by LAB.

D. Section 27 of the Disposition and Development Agreement, Section 17.2 of the Lease, and Section 17.2 of the Sublease permit assignments of the Agreements between a parent and a subsidiary company.

E. LAB wishes to assign, and COTTAGE wishes to assume, all of LAB's rights, title, interests, burdens, obligations, responsibilities and liabilities in the Agreements and request the CITY's consent and authorization to the transfer and assignment of the Agreements from LAB to COTTAGE.

F. Accordingly, CITY, LAB, and COTTAGE desire to clarify, affirm, and acknowledge their respective rights and obligations under the terms of the Agreements.

**AGREEMENT**

NOW, THEREFORE, the Parties hereby agree as follows:

1. COTTAGE assumes, and CITY hereby acknowledges and consents to COTTAGE's assumption of, all of the rights, title, interests, burdens, obligations, responsibilities and liabilities of LAB under the Agreements. COTTAGE hereby expressly and unconditionally agrees to perform and fulfill all the duties, terms, covenants, conditions, and obligations required to be fulfilled and performed by LAB under the Agreements.


2. CITY's consent to the assignment and assumption of the Agreements as provided for herein shall not be construed to release, waive, or otherwise compromise the obligations of COTTAGE and LAB under the Agreements and applicable law, or any violations thereof, whether known or unknown by CITY, which occurred prior to this Assignment, or for any subsequent performance of the Agreements by COTTAGES and/or LAB.

3. Except as modified in this Assignment, the terms and conditions of the Agreements shall remain in full force and effect.


4. This Assignment may be executed in multiple counterparts (each of which is to be deemed an original for all purposes).

IN WITNESS WHEREOF, the Parties have executed and delivered this Assignment as of the day and year first above written.


**CITY OF GARDEN GROVE,**  
a California municipal corporation

  
\_\_\_\_\_  
Scott C. Stiles,  
City Manager

Attest:

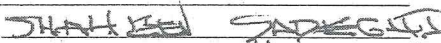

  
\_\_\_\_\_  
Kathleen Baird  
City Clerk

Approved as to form:


  
\_\_\_\_\_  
Omay Sandora  
City Attorney

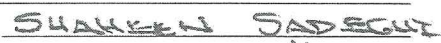

**LAB HOLDING, LLC**  
A California limited liability company

  
\_\_\_\_\_  
By: \_\_\_\_\_  
As agent and manager

By:   
Its: 

**COTTAGE INDUSTRIES LLC**  
A California limited liability company

  
\_\_\_\_\_  
By: \_\_\_\_\_  
As agent and manager

By:   
Its: 


2. CITY's consent to the assignment and assumption of the Agreements as provided for herein shall not be construed to release, waive, or otherwise compromise the obligations of COTTAGE and LAB under the Agreements and applicable law, or any violations thereof, whether known or unknown by CITY, which occurred prior to this Assignment, or for any subsequent performance of the Agreements by COTTAGES and/or LAB.

3. Except as modified in this Assignment, the terms and conditions of the Agreements shall remain in full force and effect.

4. This Assignment may be executed in multiple counterparts (each of which is to be deemed an original for all purposes).

IN WITNESS WHEREOF, the Parties have executed and delivered this Assignment as of the day and year first above written.


**CITY OF GARDEN GROVE,**  
a California municipal corporation

  
\_\_\_\_\_  
Scott C. Stiles,  
City Manager

Attest:

  
\_\_\_\_\_  
Kathleen Bailor  
City Clerk

Approved as to form:

  
\_\_\_\_\_  
Omar Bandoval  
City Attorney

**LAB HOLDING, LLC**  
A California limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
As agent and manager

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

**COTTAGE INDUSTRIES LLC**  
A California limited liability company

\_\_\_\_\_  
By: \_\_\_\_\_  
As agent and manager

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

STAFF REPORT AND MISCELLANEOUS DOCUMENTS  
RELATING TO THE DISPOSITION AND  
DEVELOPMENT AGREEMENT, THE LEASE, AND THE  
SUBLEASE

BETWEEN

THE CITY OF GARDEN GROVE  
AND  
LAB HOLDING, LLC,

FOR THE COTTAGE INDUSTRIES PROJECT



**First American Title Company  
National Commercial Services**

18500 Von Karman Ave, Suite 600 • Irvine, CA 92612

Office Phone:(949)885-2400 Office Fax:(949)885-2400

**Seller's Final Settlement Statement**

**File No:** 794936-A  
**Escrow Officer:** Nathan Thompson/nt  
**Settlement Date:** 12/09/2016  
**Disbursement Date:** 12/09/2016

**Property:**  
 12902, 12911, 12912, 12932 7th St., 12931 9th, 12941-12941  
 1/2 9th St, 11352, 11412 Acacia Parkway, 11361, 11391  
 Garden Grove Boulevard, 12911, 12932 8th Street, Garden  
 Grove, CA

**Buyer:**  
 Cottage Industries, LLC  
 Attn: Shaheen Sadeghi, 709 Randolph Avenue, Costa Mesa,  
 CA 92626

**Seller:**  
 City of Garden Grove, a California municipal corporation  
 11222 Acacia Parkway, Garden Grove, CA 92840

**Lender:**  
 City of Garden Grove, a California municipal corpo

Description	Seller Charge	Seller Credit
<b>Consideration</b>		
<b>Total Consideration</b>		3,386,437.50
<b>Prorations</b>		
2016 Tax Prorate (1st and 2nd INSTALL) 12/09/16 to 07/01/17 @\$4,054.80/yr		2,266.24
<b>New Loan(s)</b>		
<b>Lender: City of Garden Grove, a California municipal corpo</b>		
Loan Amount - City of Garden Grove, a California municipal corpo	2,709,030.00	
<b>Title/Escrow Charges</b>		
Closing-Escrow Fee to First American Title Company National Commercial Services	1,600.00	
Policy-Standard ALTA 2006 Owner's to First American Title Company National Commercial Services	2,072.00	
Record	100.00	
Estimated Documentary Transfer Tax	3,725.15	
<b>Disbursements Paid</b>		
<b>Miscellaneous Disbursement</b>		
Commercial NHD Report to First American Natural Hazard Disclosure	372.50	
Transfer to NCS-794936 to close to First American Title Insurance Company	671,765.20	
Cash (X To) ( From) Seller	38.89	



*Seller's Final Settlement Statement*

Settlement Date: 12/09/2016  
Officer: Nathan Thompson/nt

File No: 794936-A

Description	Seller Charge	Seller Credit
Totals	3,388,703.74	3,388,703.74

PLEASE NOTE: A modification of money-transfer or disbursement instructions can be a red flag for Online Banking Fraud and could be a trap for the unwary. Should we knowingly receive such a modification, in the interest of prudence, we may consider it suspect and call a known and trusted phone number to verify its authenticity and accuracy. Your awareness and cooperation in taking appropriate steps to prevent fraud is greatly appreciated.

RESOLUTIONS APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT AND  
A LEASE AND SUBLEASE WITH LAB HOLDING LLC FOR DISPOSITION AND LEASE  
OF CIVIC CENTER PROPERTIES FOR THE COTTAGE INDUSTRIES PROJECT  
(F: 108.2-2016)

ORAL COMMUNICATIONS

Speakers:       None.

It was moved by Council Member Jones, seconded by Council Member Phan that:

Resolution No. 9353-16 entitled a Resolution approving a Disposition and Development Agreement with the LAB Holding LLC for the disposition of twelve Civic Center properties for the Cottage Industries Project, be adopted.

The motion carried by a 5-0 vote as follows:

Ayes:       (5) Beard, Bui, Nguyen, Jones, Phan  
Noes:       (0) None

It was moved by Council Member Jones, seconded by Council Member Phan that:

Resolution No. 9354-16 entitled a Resolution approving a Lease and a Sublease Agreement with the LAB Holding LLC for lease of five unimproved parcels in the Civic Center for the Cottage Industries Project.

The motion carried by a 5-0 vote as follows:

Ayes:       (5) Beard, Bui, Nguyen, Jones, Phan  
Noes:       (0) None

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles From: Omar Sandoval  
Dept.: City Manager Dept.: City Attorney  
Subject: Adoption of Resolutions approving a Disposition and Development Agreement and a Lease and Sublease with LAB Holding LLC for disposition and lease of Civic Center properties for the Cottage Industries Project. (*Action Item*)

---

OBJECTIVE

To adopt resolutions approving a disposition and development agreement for the disposition of twelve single-family properties, the lease of two unimproved City properties, and the sublease of three unimproved Housing Authority properties in the Garden Grove Civic Center area for the Cottage Industries project.

BACKGROUND

The City acquired twelve properties from the Housing Authority in the Civic Center area that the Housing Authority had acquired from the former Redevelopment Agency (RDA). The RDA had acquired the properties over the course of many years for purposes of consolidating them for a Civic Center project. The twelve properties are developed with single-family homes. In addition, the City leases from the Housing Authority three unimproved properties that were part of the initial RDA acquisitions. Of the twelve single-family homes, all but three were acquired from the RDA in 2007 for temporary rental to low income families while the RDA acquired the properties necessary for a larger redevelopment project in the City's Civic Center area. The other three had been acquired by the RDA with its low-moderate income housing fund and were transferred to the Housing Authority in 2012 following the dissolution of the RDA. The three unimproved parcels were transferred from the RDA to the Housing Authority in 2007. One of the unimproved parcels remains vacant while two are currently being used by the City for its Community Gardens project. In addition, the City owns two unimproved parcels in the Civic Center area, which it has held for many years similarly to the former RDA properties.

DISCUSSION

The properties with single-family homes will soon require the expenditure of substantial funds to rehabilitate them and maintain them in the required condition for human habitation. One of the single-family homes could not be rented at this time because it requires substantial rehabilitation work to make it habitable. Due to the dissolution of the RDA and the reduction in Federal and State funding for low income housing programs, the properties are quickly becoming a liability for the Housing Authority. In addition, the properties are scattered throughout the Civic Center area and the dissolution of the RDA will not make it possible to continue to acquire the additional properties that would be needed for a proper Civic Center project or a viable low income housing project. In early 2015, Mr. Shaheen Sadeghi of the Lab Holding, LLC (the "Developer") submitted a letter of interest to the City to acquire the properties for a reuse commercial project. Discussion with City staff pertaining to the condition of the properties, their market values, and suitability for rehabilitation and reuse of the structures, culminated in the attached Disposition and Development Agreement. The Developer is proposing to acquire the twelve single-family homes to rehabilitate them and reuse them for low-impact commercial uses consistent with the City's Zoning regulations applicable to the Civic Center area. The Developer is not able to purchase the unimproved properties at this time. However, the Developer is willing to lease the unimproved properties to relieve the Authority and the City of the maintenance and repair responsibilities for the unimproved properties, and incorporate them into its larger reuse project.

The City will lease the three Housing Authority unimproved properties from the Housing Authority for a term of twenty years for \$1.00 per year, and will sublease them to the Developer for a term of 15 years for the same rental rate. The City will lease the two City properties to the Developer for \$1.00 per year, for a term of 15 years. The lease and sublease contains a Right of First Refusal that will give the Developer the opportunity to purchase the unimproved properties in the future at fair market value at the time of purchase. The lease and sublease of the properties to the Developer will assign the maintenance responsibilities and liability for the properties to the Developer until such time as the Developer is able to acquire them at fair market value. The Developer has agreed to pay \$3,386,287.50 for the 12 single-family homes subject to a 20% cash down payment of \$677,257.50 and an interest-only short term loan of five years in the amount of \$2,709,030. The loan is subject to interest at 4% per annum. The loan will be secured by a deed of trust and may be prepaid prior to the five-year term without penalty. The City and the Developer have agreed to a six month escrow period to allow the parties to complete their due diligence with respect to the transfer of the properties. Similarly, the lease and sublease of the five unimproved properties will not become effective until the escrow for the twelve single-family homes closes in about six months' time. The Developer has agreed to allow the Community Gardens to continue until the current program ends in early 2017. Once escrow closes around November 2016, the Developer will prepare plans to submit to the City for project approval processing. It is anticipated that the project will be completed in three years' time. A more detailed timeline for the processing of approvals and for construction of the project is included in the Schedule of Performance attached to the Disposition and Development Agreement and the Lease and Sublease.

#### FINANCIAL IMPACT

The sale and lease of the properties will reduce the Housing Authority's liabilities for maintenance and repair and will generate funds in the next five years to be deposited in the Housing Authority's low-moderate income fund to assist future housing projects. It is expected that transaction costs, which include escrow charges and title reports, will be covered by loan interest revenue.

**RECOMMENDATION**

It is recommended that the City Council:

- Adopt the Resolution approving the Disposition and Development Agreement with the Housing Authority for the acquisition of twelve single-family Civic Center properties;
- Adopt the Resolution approving the lease and sublease of five unimproved Civic Center properties.

**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>	<b>File Name</b>
Resolution for DDA	5/6/2016	Cover Memo	Res_-_DDA_for_Civic_Center_Properties.pdf
Disposition and Development Agreement	5/4/2016	Backup Material	Civic_Center_Properties-Lab_Disposition_and_Development_Agreement_v.4_Final.DOCX
Resolution for Lease	5/6/2016	Cover Memo	Res_-_Lease__Sublease__to_LAB.pdf
Lease Agreement	5/4/2016	Backup Material	LAB_HOLDINGS_GROUND_LEASE-CIVIC_CENTER_VACANT_PROPERTIES_v.4_Final.DOCX
Sublease Agreement	5/4/2016	Backup Material	LAB_HOLDINGS_SUBLEASE-CIVIC_CENTER_HA_VACANT_PROPERTIES_v.3_Final.DOCX

Zimbra

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8.c.

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Housing

2016 MAY 10 AM 9:09

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**From :** Dale Soeffner <dsoeffner@msn.com>

Sat, May 07, 2016 03:21 PM

**Subject :** Housing

**To :** kathyb@ci.garden-grove.ca.us

Mayor and city councilman

With the intended sale of 12 parcels and the lease of 3 others several questions arise.

- 1) How and where is the low cost housing issue going to be addressed in the city.
- 2) What is going to happen to the community garden and can it be relocated? Would love to hear an answer

Thank you

Dale Soeffner

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