

**GROUND LEASE**

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**GROUND LEASE**

This Ground Lease ("Lease") is made this 1st day of August, 1979, by and between JESSIE M. DUC, a widow, EUGENE DUC, a married man and CHARLOTTE KIRCHEN, a single woman (collectively "Lessor") and FRANK WOOLSEY and CHARLES L. HERMANSEN (collectively "Lessee").

**WITNESSETH**

I. In consideration of the rent hereinafter to be paid by Lessee and of the performance by Lessee of all the covenants, conditions and agreements herein contained to be kept and performed by Lessee, Lessor does hereby lease unto Lessee, and Lessee leases from Lessor that certain real property (the "Property"), situated in the City of Huntington Beach, County of Orange, State of California, more particularly described as Parcel 1 on a Map filed on April 2, 1979, in Book 131, Page 34 of Parcel Maps, County of Orange, California.

**II. Term**

**A. Initial Term.**

The term of this Lease shall be for approximately forty-seven (47) years, commencing on the date hereof ("Commencement Date") and ending on August 31, 2026.

**B. Option.**

Lessee shall have the option and absolute right to extend the term of this Lease for an additional fifteen (15) years by giving written notice to that effect to Lessor no later than six (6) months prior to the expiration of the original term hereof.

**C. Right to First Refusal to Lease on Expiration of Term.**

In the event Lessor again decides to lease the Property at the expiration of the original lease term, or any extension thereof, Lessor shall give six (6) months notice ("Notice") in writing to Lessee to that effect. The Notice shall be given at least six (6) months before the expiration of the original lease term, or any extension thereof, and shall contain the terms of the new lease and the name and address of the proposed new lessee and may incorporate by reference provisions of this Lease. Lessee shall be entitled to accept the new lease on the terms contained in the Notice by giving written notice to that effect to Lessor within ninety (90) days after Lessee's receipt of the Notice. If Lessee fails to accept the new lease as provided herein, Lessor may lease the Property to any person, provided that the terms of any such lease must be no less favorable to Lessor than the terms disclosed in the Notice.

**III. Rent, Other Payments, Security**

**A. Minimum Rent:**

Lessee shall pay without abatement, deduction or off set, the following sums:

1. For the full term hereof as his minimum rent, the sum of Three Thousand and No/100 Dollars (\$3,000.00) per month, payable on the first day of each month, commencing on the first day of the month following the Commencement Date. Lessor acknowledges receipt of the minimum rent for the last two (2) months of the term hereof. Rent to be divided one-third (1/3rd) to JESSIE M. DUC, one-third (1/3rd) to EUGENE DUC, and one-third (1/3rd) to CHARLOTTE KIRCHEN.

**B. Adjustments to Minimum Rent:**

1. Upon expiration of the second (2nd) year of the term of this Lease and every fifth (5th) year thereafter, the minimum rent hereunder shall be increased by Two Hundred Seventy-Nine and 50/100 Dollars (\$279.50) per month.

**2. Taxes.**

(a) Lessee shall pay or cause to be paid, all real and personal property taxes, general and special assessments and other charges of every description levied on or set against the Property, improvements located on the Property, personal property on or in the land or improvements, the leasehold estate or any subleasehold estate, to the full extent of installments falling due during the term, whether belonging to or chargeable to Lessor or Lessee. Lessee shall make all such payments direct to the charging authorities at least ten (10) days before delinquency, and before any fine, interest or penalty shall become due or be imposed by operation of the law for their payment. If, however, the law expressly permits the payment of any or all of the above items installments (whether or not interest accrues on the unpaid balance) Lessee may, at Lessee's election, pay the permitted installment with any interest before delinquency.

**(b) Prorations.**

All payments of taxes or assessments or both, shall be prorated for the year in which the Lease expires.

**(c) Proof of Payment of Taxes.**

Lessee shall furnish to Lessor at least seven (7) days before the date when any taxes, assessments or charges would become delinquent, receipts or other appropriate evidence of their payment. Lessee may comply with this requirement by retaining a tax service to notify Lessor whether the taxes have been paid.

**3. Utilities.**

Lessee shall pay during the term hereof all charges for water, electricity, gas, sewers and telephone, and any and every other charge or expense incurred or payable in connection fees.

**4. No Adjustment Diminishes Minimum Rent.**

None of the adjustments to minimum rent shall be construed to diminish, nor apply towards minimum rent.

**IV. Improvements**

**A. Condition of Use of Property-Lessor's Non-Responsibility/Notice to Lessor.**

At least fifteen (15) days before any work of any kind to or for the benefit of the Property and before any work of construction, alteration or repair is commenced on the Property, and before any building materials have been delivered to the Property by Lessee or under Lessee's authority, Lessee shall notify Lessor in writing of the same. The notice shall specify the approximate location, cost and nature of the intended improvements and benefits. Lessor shall have the right to post and maintain on the Property notices of non-responsibility.

**B. Conditions of Major Construction.**

**1. Place of Construction.**

All improvements shall be constructed within the Property, provided that required work outside the Property on utilities, access and conventional use requirements shall be permitted. On completion of a work of improvement Lessee shall deliver to Lessor a copy of the plans and specifications for Lessor's use, if any, at the expiration of this Lease.

**2. Completion Bond.**

Before any major work of construction, alteration or repair is commenced on the Property, Lessee shall furnish Lessor a completion bond as herein described. The bond shall be that of a responsible Surety Company, licensed to do business in California in an amount not less than the cost of construction and shall remain in effect until the entire cost of the work shall have been paid in full and the new improvement shall have been insured as provided in this Lease. The bond shall state the following:

- (a) That it is conditioned to secure the completion of the proposed construction free from all liens and claims of contractors, subcontractors, mechanics, laborers and material men;
- (b) That the construction shall be effected by Lessee, the general contractor, or on their default, the Surety;
- (c) That in default of such completion and payment, such part of the amount of the bond as shall be required to complete the work shall be paid to Lessor as liquidated damages for the non-performance of Lessee's agreements, it being agreed that the exact amount of Lessor's damages is difficult and impossible to ascertain;
- (d) That the Surety will defend and indemnify Lessor against all loss, costs, damage, expense and liability arising out of or connected with the work of improvement.