

1 PR48A-28  
2 Mason Regional Park

3 LEASE

4 THIS LEASE is made Nov. 8, 1996 by and between County of Orange, hereinafter referred to as "LESSOR,"  
5 and Sand Canyon LLC, a California limited liability company, hereinafter referred to as "TENANT," without regard  
6 to number and gender.

7 RECITALS

8 A. Real property described in Clause 2 (PREMISES) of this Lease is designated by LESSOR for the development by  
9 TENANT of an environmentally sensitive, revenue generating 18-hole public golf course and related golf facilities.

10 B. Said real property consists of separate parcels owned by LESSOR and Irvine Ranch Water District (IRWD)  
11 respectively, and a related Easement, attached herein as EXHIBIT D. LESSOR and IRWD have agreed to combine said  
12 parcels and Easement pursuant to a Concession Management Agreement dated August 22 1998 for the purpose  
13 of implementing the development, construction and operation of the golf course. Accordingly, LESSOR, acting as  
14 concession manager on behalf of itself and IRWD, is authorized to enter into this lease of the Premises.

15 C. LESSOR acknowledges that real property adjacent to the leasehold premises, offered for dedication by The Irvine  
16 Company to the City of Irvine, has the potential for development of additional golf holes compatible with the 18-hole  
17 golf course development provided for in this Lease. Therefore, LESSOR agrees to consider at the appropriate time,  
18 TENANT's contemplated future expansion of the golf course facility including potential combination of facilities,  
19 subject to acceptable terms and conditions.

20 NOW, THEREFORE, in consideration of the above, the parties hereto mutually agree to the following terms and  
21 conditions:

22 1. DEFINITIONS (PMA2.1 S)

23 The following words in this Lease have the significance attached to them in this clause unless otherwise apparent from  
24 context:

25 "Board of Supervisors" means the Board of Supervisors of the County of Orange, a political subdivision of the State  
26 of California.

27 "Director of HBP" means the Director of Harbors, Beaches and Parks, Environmental Management Agency, County  
28 of Orange, or his/her designee, or upon written notice to TENANT, such other person or entity as shall be designated  
by the Board of Supervisors.

"Real Estate Director" means the Director, Real Estate, General Services Agency, County of Orange, or his/her  
designee, or upon written notice to TENANT, such other person or entity as shall be designated by the Board of  
Supervisors.

"Auditor-Controller" means the Auditor-Controller, County of Orange, or his or her designee, or upon written notice  
to TENANT, such other person or entity as shall be designated by the Board of Supervisors.

"IRWD" means the Irvine Ranch Water District.

1 "Design Review Board" means the Design Review Board to be created by the Director of HBP for the purpose of  
 2 reviewing and approving the development plans proposed by TENANT.

3 2. PREMISES (PMA3.1 N)

4 LESSOR leases to TENANT that certain property composed of approximately 90 acres of IRWD property excluding  
 5 certain Real Property described in an easement for golf ball overflight and retrieval (Exhibit D), approximately 107  
 6 acres of adjacent LESSOR property within Mason Regional Park, and said easement for golf ball overflight and  
 7 retrieval hereinafter referred to collectively as "Premises," described in "Exhibits A and D" and shown on "Exhibit B,"  
 8 which exhibits are attached hereto and by reference made a part hereof.

9 3. LIMITATION OF THE LEASEHOLD (PMA5.1 N)

10 This Lease and the rights and privileges granted TENANT in and to the Premises are subject and subordinate to all  
 11 covenants, conditions, restrictions, and exceptions of record or apparent including the Concession Management  
 12 Agreement dated August 22, 1995, between the County of Orange and IRWD, which TENANT acknowledges  
 13 receiving a copy thereof. Nothing contained in this Lease or in any document related hereto shall be construed to imply  
 14 the conveyance to TENANT of a leasehold in any rights in the Premises which exceed those owned by LESSOR or  
 15 IRWD, as the case may be, or any representation or warranty, either express or implied, relating to the nature or  
 16 condition of the Premises or LESSOR's or IRWD's interest therein. TENANT acknowledges that TENANT has  
 17 conducted a complete and adequate investigation of the condition of the Premises and condition of LESSOR's and  
 18 IRWD's interest therein and that TENANT has accepted the Premises in its "as is" condition.

19 TENANT acknowledges that a portion of the Premises, commonly known as the Sand Canyon Reservoir, is not a part  
 20 of the Premises except for the easement interest therein held by LESSOR for golf ball overflight and retrieval. The  
 21 reservoir is used for seasonal and operational water storage by IRWD and is an integral part of IRWD's primary  
 22 mission as a public agency, of providing water storage capacity. Use of the Premises by TENANT shall be  
 23 subordinate, absolutely, to use by IRWD for water storage purposes, required development, redevelopment, and  
 24 maintenance and operation of the reservoir deemed necessary or appropriate by IRWD in the course of its operations.  
 25 No action or omission or inaction of IRWD in the exercise of its water storage function shall be the basis for a claim  
 26 by TENANT of damage, expense, loss, or liability of any kind or nature, including, but not limited to damage, expense,  
 27 loss or liability resulting or arising from any need to temporarily suspend golf play owing to IRWD's exercise of its  
 28 reserved rights discussed in the following paragraph. TENANT agrees not to interfere in any way whatsoever, during  
 the construction phase or any other time during the Lease term, with such water storage purposes.

TENANT also acknowledges that IRWD, in said Concession Management Agreement with the County of Orange  
 reserves the rights necessary to assure proper maintenance and operation of the Sand Canyon Reservoir, dam structure  
 and appurtenant facilities, and to take or permit any steps to be taken which it deems necessary or desirable to improve  
 or modify said facilities or their operation. The rights reserved to IRWD in the above mentioned Concession  
 Management Agreement shall be exercised by IRWD at its sole discretion. Neither LESSOR nor IRWD shall incur  
 any liability to TENANT for any action undertaken or omission or inaction in the maintenance, operation, improvement,  
 or modification of the stated purpose of the Sand Canyon Reservoir and related facilities by IRWD, including but not  
 limited to any such action which results in need to temporarily suspend golf play except as provided in Clause 7  
 (CIRCUMSTANCES WHICH EXCUSE PERFORMANCE) of this Lease.

TENANT and LESSOR shall at all times maintain a "good neighbor policy" with adjacent property owners such that  
 negative effects resulting from light and glare, noise or aesthetics shall be avoided. TENANT shall, to the satisfaction  
 of the LESSOR, use its best efforts to establish and maintain operational practices, so as to mitigate issues of concern  
 brought forth by residents adjacent to the Premises.

1 4. REQUIRED AND OPTIONAL SERVICES AND USES (PMB1.3 S)

2 A. Required Services and Uses. LESSOR's primary purpose for entering into this Lease is to promote the  
3 development of an eighteen-hole "urban forest" golf course facility, an example of which is set forth in the  
4 LESSOR's "Urban Forest Golf Course Feasibility Study" dated April, 1992. In furtherance of that purpose, upon  
5 completion of construction as required, TENANT shall, during the entire lease term, maintain and operate an  
6 eighteen-hole golf course, driving range and pro shop hereinafter referred to as "Facility."

7 B. Optional Services and Uses. Subject to the prior written approval of Director of HBP, TENANT is granted  
8 the option to provide those additional services and uses which are ancillary to and compatible with the required  
9 services and uses herein. Said optional services and uses may include but are not limited to the following:

- 10 (1) Food/Beverage Sales
- 11 (2) Merchandise Sales
- 12 (3) Golf Equipment and Cart Rental
- 13 (4) Golf Equipment Repair
- 14 (5) Pay Telephones/Newspaper Racks
- 15 (6) Golf Lessons
- 16 (7) Charity Golf Tournaments/Banquets
- 17 (8) Golf Tournaments, Banquets, Meetings, Conferences,  
18 Wedding Receptions and other similar functions.

19 C. Restricted Use. The above-listed services and uses, both required and optional, shall be the only services and  
20 uses permitted. TENANT agrees not to use the Premises for any other purpose or engage in or permit any other  
21 business activity within or from the Premises.

22 NO TOBACCO PRODUCTS SHALL BE SOLD FROM THE PREMISES. SMOKING IS PROHIBITED INSIDE  
23 ANY BUILDING WITHIN THE PREMISES.

24 5. TERM (PMB2.1 S)

25 The term of this Lease shall be forty-five (45) years, commencing and effective the first day of the first full calendar  
26 month following the date of execution of this Lease by LESSOR.

27 6. RENT (PMCI.2 N)

28 A. Construction Period. For the period from the Lease execution date to the date which the Facility opens to the  
public, TENANT shall pay rent as follows:

(1) \$ 3,333 per month payable to LESSOR ; and

(2) Compensation to be determined by mutual agreement between TENANT and IRWD; with any monetary  
portion thereof to be payable as a lump sum to IRWD within thirty (30) days of the Lease execution date, and other  
consideration including in-kind replacement of existing improvements at alternate location provided by IRWD, to be  
accomplished by TENANT prior to the commencement of construction.

Rent payments shall be made in accordance with the provisions of Clause 11 (RENT PAYMENT PROCEDURE) of  
this Lease.

B. Operation Period. From the date the Facility opens to the public, TENANT shall pay rent as set forth in the  
schedule as follows in accordance with the provisions of Clause 11 (RENT PAYMENT PROCEDURE) of this Lease.

(1) Minimum Annual Rent The Minimum Annual Rent for the premises shall be \$ 250,000.

1 The Minimum Annual Rent shall be periodically adjusted in accordance with the provisions of Clause 9  
2 (REVISION OF MINIMUM ANNUAL RENT) of this Lease.

3 Should this Lease be terminated during an accounting year, the Minimum Annual Rent in effect at that time  
4 shall be prorated.

5 (2) Percentage Rent Percentage rent for the Premises shall be calculated using the following  
6 percentages of gross receipts from business operations conducted on or from the Premises:

7 a. Percentage of gross receipts from Green Fees, Driving Range and Golf Cart Rental

Year	Percentage Gross Receipts
1 & 2	5.0%
3 & 4	7.5 %
5 & 6	10.0 %
7 & 8	12.5 %
9 & 10	15.0 %
11 thru 14	17.5 %
15 thru 23	20.0 %
thereafter	25.0 %

Percentage  
Gross Receipts

- |   |       |
|---|-------|
| b. Percentage of Gross Receipts from Food<br>and Beverage Sales (Includes Banquet Sales,<br>Meetings, Conferences, Wedding Receptions)  | 7.5%  |
| c. Percentage of Gross Receipts from Pro-Shop<br>activities including Merchandise Sales, Golf<br>Equipment Repair and Golf Lessons for which<br>TENANT receives revenue       | 5.0%  |
| d. Pay Telephone/Newspaper Racks  | 10.0% |
| e. Charity Golf Tournaments/Banquets<br>(not to exceed six (6) events per calendar<br>year; two (2) events for TENANT, two (2)<br>events for LESSOR, two (2) events for IRWD) | 0.0%  |

21 For golf balls provided by TENANT for a rental fee, for use in golf lessons, such rental fee shall be accounted for in  
22 the Driving Range category for percentage rent purposes. Gross receipts for golf lessons by PGA golf pros, whereby  
23 TENANT does not receive any revenue, is hereby excluded from gross receipts for percentage rent purposes.

24 Percentage rents for approved optional services and uses other than those listed above shall be determined by the Real  
25 Estate Director.

26 (3) Annual Rent. TENANT shall pay to LESSOR for each accounting year either the Minimum Annual Rent  
27 or the Percentage Rent, whichever is greater.

1 (4) Payment of Rent. Rent payments shall be made in accordance with the provisions of Clause 11 (RENT  
2 PAYMENT PROCEDURE) of this Lease.

3 Should the facility open to the public on a date other than the first day of the month, rent shall be prorated between  
4 Construction Period rent and Operation Period rent for the month of such opening.

5 C. Rent in the Event of Default by TENANT. In the event a lender takes possession of the Premises as a result of  
6 default by TENANT, Minimum Annual Rent as set forth above in this Clause shall be replaced on a temporary basis  
7 by "Default Rent" in the amount of Two Hundred Fifty Thousand Dollars (\$ 250,000) per year. Said Default Rent shall  
8 commence and be in effect at such time that lender has taken possession of the Premises for the purpose of protecting  
9 its security interest. Said Default Rent amount shall be automatically adjusted to the proportionate change in the  
10 Consumer Price Index for Los Angeles—Anaheim—Riverside (All Urban Consumers—All Items) promulgated by the  
11 Bureau of Labor Statistics of the U.S. Department of Labor. The automatic adjustment shall be calculated whether a  
12 lender takes possession or not by means of the following formula:

$$A = \$ 250,000 \times \frac{B}{C}$$

10 A = Default Rent per year

11 B = Monthly Index for the fourth month prior to the month in which lender takes possession of the  
12 Premises

13 C = Monthly Index for the month in which this Lease becomes effective as provided in Clause 5 (TERM)

14 In the event the change in said Consumer Price Index exceeds five percent (5%) for any individual  
15 year, then five percent (5%) shall be used as the increase for that year. In no event shall the amount of Default Rent  
16 be reduced by such an adjustment.

17 In the event that the Consumer Price Index is not issued or published for the period for which such adjustment is to  
18 be computed hereunder, or in the event that the Bureau of Labor Statistics of the United States Department of Labor  
19 should cease to publish said index figures, then any similar index published by another branch or department of the  
20 U.S. Government selected by LESSOR shall be used and if none is so published, then another index generally  
21 recognized as authoritative shall be substituted by LESSOR.

22 In the event Minimum Annual Rent is less than Default Rent at the time a lender takes possession of the Premises, then  
23 Minimum Annual Rent shall remain in effect.

24 Said Default Rent shall remain effective until the earliest occurrence of: (1) cure of default by TENANT, (2)  
25 assignment of leasehold interest by Lender, (3) termination of Lease, or (4) period not to exceed twelve (12) months.  
26 At such time Default Rent shall be replaced by the Minimum Annual Rent provisions set forth and adjusted in this  
27 Clause, Section 6.B.(1).

## 28 7. CIRCUMSTANCES WHICH EXCUSE PERFORMANCE (PMGE13.2 N)

29 If LESSOR or TENANT shall be delayed or prevented from the performance of any act required hereunder by reasons  
30 of Acts of God, restrictive governmental laws or regulations, or other cause without fault and beyond the control of  
31 the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay  
32 and the period for the performance of any such act shall be extended for a period equivalent to the period of such  
33 delay.

34 In the circumstances described in this paragraph, the foregoing paragraph shall not apply and the provisions in this  
35 paragraph shall provide the sole and exclusive relief to which TENANT shall be entitled. The Director of HBP shall

excuse TENANT's Minimum Annual Rent payment obligation as set forth in Clause 6 (RENT) of this Lease on a prorated basis during any period when golf play is suspended, or seriously hindered by the necessary closure of a significant (more than one hole per nine holes unusable) number of golf holes for two or more consecutive days due to the actions of LESSOR or IRWD or other reasons deemed by the Director of HBP not to be the fault of TENANT, with the exception of weather conditions. TENANT shall within ten (10) days of such golf play suspension, submit written notice to the Director of HBP detailing the reason for and period of golf play suspension.

#### 8. CHARGE FOR UNAUTHORIZED SERVICES AND USES (PMC3.1 N)

In the event TENANT breaches this Lease by using or permitting the Premises to be used in any manner other than as expressly permitted under this Lease, TENANT shall pay LESSOR a sum equal to 100 percent of the "gross receipts," as defined in Clause 10 (DEFINITION OF GROSS RECEIPTS) for any service or use that is not permitted or otherwise authorized by this Lease. The provisions of Clause 11 (RENT PAYMENT PROCEDURE) and the "charge for late payment" provided in Clause 12 (CHARGE FOR LATE PAYMENT) are applicable to charges for unauthorized services and uses. The existence of the 100 percent charge in this clause, or the payment or receipt of money under this clause, does not constitute an authorization for a particular service or use and does not constitute a waiver of LESSOR's right to require TENANT to terminate such service or use.

The parties agree that LESSOR's actual damages, in the event of such a breach by TENANT would be extremely difficult or impossible to determine; therefore, an amount equal to the amount of 100 percent of such gross receipts plus the charge for late payment has been agreed upon, after negotiation, as the parties' best estimate of LESSOR's reasonable damages.

#### 9. REVISION OF MINIMUM ANNUAL RENT (PMC4.5 N)

Minimum Annual Rent shall be subject to automatic adjustment on the fifth anniversary of the date the Facility opens to the public and on the anniversary date every five years thereafter to the greater of the following:

(1) Eighty percent (80%) of the average (mean) annual total rent paid by TENANT to LESSOR for the preceding five (5) years, or

(2) The base minimum annual rent of \$ 250,000 adjusted in proportion to changes in the Consumer Price Index for Los Angeles--Anaheim--Riverside (All Urban Consumers--All Items) promulgated by the Bureau of Labor Statistics of the U. S. Department of Labor. This automatic adjustment shall be calculated by means of the following formula:

$$A = \$ \underline{250,000} \times \frac{B}{C}$$

A = Adjusted Minimum Annual Rent

B = Monthly index for the fourth month prior to the month in which each rental rate adjustment is to become effective

C = Monthly index for the month in which the lease becomes effective as set forth in Clause 5 (TERM)

In the event that the Consumer Price Index is not issued or published for the period for which such adjustment is to be computed hereunder, or in the event that the Bureau of Labor Statistics of the United States Department of Labor should cease to publish said index figures, then any similar index published by another branch or department of the U.S. Government selected by LESSOR shall be used and if none is so published, then another index generally recognized as authoritative shall be substituted by LESSOR.

1 10. DEFINITION OF GROSS RECEIPTS (PMC5.1 N)

2 As used in this Clause, the term "TENANT" shall include TENANT, TENANT's agents, sublessee concessionaires, or  
3 licensees, or any person acting under contract with TENANT. The term "gross receipts" upon which percentage rents  
4 are to be based shall include:

5 A. The sale price of all goods, wares, merchandise, and products sold on or from the Premises by TENANT,  
6 whether for cash or credit, whether payment is actually made or not, whether delivery of the items sold is made  
7 from the Premises and whether title to such items is transferred;

8 B. The charges made by TENANT for the sale or rendition on or from the Premises of services of any nature  
9 or kind whatsoever, whether for cash or credit, whether payment is actually made or not and whether the services  
10 are actually performed or not;

11 C. All admission, entry, rental, and other fees of any nature or kind charged by TENANT (including but not  
12 limited to deposits accepted by TENANT);

13 D. TENANT shall be excused from paying rent on any amount received on a non-profit basis in conjunction  
14 with the conducting of golf tournaments and events for the benefit of non-profit charitable organizations approved  
15 in writing in advance, by LESSOR. Any revenue retained by TENANT in excess of TENANT's tournament/event  
16 expenses, plus contribution to such non-profit charitable organization shall be subject to payment of rent by  
17 TENANT. In promotional materials for such charitable golf tournaments and events, TENANT shall acknowledge  
18 LESSOR and IRWD as co-sponsors, if requested by LESSOR or IRWD.

19 E. All sums deposited in any coin-operated vending machine or other device maintained on the Premises,  
20 regardless of the ownership of the machine or device, or whether such sums are removed and counted by  
21 TENANT or others and regardless of what percentage thereof TENANT is entitled to receive except pay  
22 telephones and newspapers racks as follows:

23 (1) Pay telephones gross receipts shall be determined as follows:

24 a. If telephones are owned by TENANT, gross receipts shall be the gross amount deposited or charged  
25 for use of the telephones.

26 b. If telephones are owned and operated by a third party, gross receipts shall be the commission or  
27 payment, if any, received by TENANT.

28 (2) For newspapers racks, gross receipts shall be the commission or payment, if any, received by TENANT  
from racks owned and operated by a third party.

The term "gross receipts" also includes the fair rental value of facilities used by TENANT or its employees for purposes  
other than the business purposes for which the Premises are leased and the value of all consideration including  
consideration other than cash received by TENANT or his employees in exchange for the items sold or services  
rendered.

Under Clause 4 (REQUIRED AND OPTIONAL SERVICES AND USES), TENANT has been granted the option to  
provide certain additional services and uses subject to further approval. The term "gross receipts" as it applies to these  
business operations shall be determined by the Real Estate Director at the time approval is granted.

Gross receipts shall exclude all sales and excise taxes payable by TENANT to federal, state, county, or municipal  
governments as a direct result of operations under this Lease. Refunds for goods returned and deposits shall be

1 deducted from current gross receipts upon return. Bad debt losses and possessory interest taxes shall not be deducted  
2 from gross receipts.

3 11. RENT PAYMENT PROCEDURE (PMC6.1 S)

4 A. Payment of Rent. On or before the twentieth day of each month, TENANT shall deliver to Auditor-Controller  
5 a correct statement of all applicable gross receipts for that portion of the accounting year which ends with and  
6 includes the last day of the preceding calendar month. The statement shall be signed by TENANT or TENANT's  
7 responsible agent under penalty of perjury, and shall be in the form prescribed by Auditor-Controller. Each  
8 statement shall indicate:

- 9 (1) One-twelfth of the annual minimum rent payment;
- 10 (2) The total gross receipts for said portion of the accounting year, itemized as to each of the business  
11 categories for which a separate percentage rental is established. A breakdown of the gross receipts of  
12 each business conducted on the Premises must be attached to each statement where a reported business  
13 category is comprised of more than one business operation;
- 14 (3) The related itemized amounts of percentage rent computed as herein provided and the total thereof;
- 15 (4) The total rent previously paid by TENANT for the accounting year within which the preceding month  
16 falls;
- 17 (5) The rent and any other sums due for the preceding month; and
- 18 (6) TENANT's itemized revenues and expenses for any charity golf tournament, banquet or other such  
19 charitable events pursuant to Clause 6 (RENT), Section B.(2).e.

20 Concurrently with the rendering of each monthly statement, TENANT shall pay to LESSOR the greater of the  
21 following two amounts:

- 22 (a) The total percentage rent computed for that portion of the accounting year ending with and including the  
23 last day of the preceding month [Item (3), above] less total rents previously paid for the accounting year [Item  
24 (4), above], or
- 25 (b) One-twelfth of the annual minimum rent, multiplied by the number of months from the beginning of the  
26 accounting year to and including the preceding month, less total rents previously paid for the accounting year  
27 [Item (4), above].

28 B. Place of Payment and Filing. Rental payments shall be delivered to, and statements required by this Clause  
and Clause 13 (RECORDS AND ACCOUNTS) shall be filed with the County of Orange, Office of the  
Auditor-Controller, P. O. Box 567 (630 North Broadway), Santa Ana, California 92702. The designated place  
of payment and filing may be changed at any time by LESSOR upon ten days written notice to TENANT. Rent  
payments may be made by check made payable to the County of Orange. TENANT assumes all risk of loss if  
payments are made by mail.

C. All rent shall be paid in lawful money of the United States of America, without offset or deduction or prior  
notice or demand. No payment by TENANT or receipt by LESSOR of a lesser amount than the rent due shall  
be deemed to be other than on account of the rent due, nor shall any endorsement or statement on any check or  
any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and LESSOR shall  
accept such check or payment without prejudice to LESSOR's right to recover the balance of said rent or pursue  
any other remedy in this Lease.

1 12. CHARGE FOR LATE PAYMENT (PMC7.1 S)

2 TENANT hereby acknowledges that the late payment of rent or any other sums due hereunder will cause LESSOR to  
 3 incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such  
 4 costs include but are not limited to costs such as administrative processing of delinquent notices, increased accounting  
 5 costs, etc.

6 Accordingly, if any payment of rent as specified in Clause 6 (RENT) or of any other sum due LESSOR is not received  
 7 by LESSOR by the due date, a late charge of one and one-half percent (1.5%) of the payment due and unpaid plus  
 8 \$100 shall be added to the payment, and the total sum shall become immediately due and payable to LESSOR. An  
 9 additional charge of one and one-half percent (1.5%) of said payment, excluding late charges, shall be added for each  
 10 additional month that said payment remains unpaid.

11 TENANT and LESSOR hereby agree that such late charges represent a fair and reasonable estimate of the costs that  
 12 LESSOR will incur by reason of TENANT's late payment. Acceptance of such late charges (and/or any portion of the  
 13 overdue payment) by LESSOR shall in no event constitute a waiver of TENANT's default with respect to such overdue  
 14 payment, or prevent LESSOR from exercising any of the other rights and remedies granted hereunder.

15 13. RECORDS AND ACCOUNTS (PMC8.1 S)

16 A. Records. TENANT shall, at all times during the term of this Lease, keep or cause to be kept true and  
 17 complete books, records, and accounts of all financial transactions in the operation of all business activities, of  
 18 whatever nature, conducted in pursuance of the rights granted herein. The records must be supported by source  
 19 documents such as sales slips, cash register tapes, purchase invoices, or other pertinent documents.

20 Except as otherwise provided herein, all retail sales and charges shall be recorded by means of cash registers or  
 21 other comparable devices which display to the customer the amount of the transaction and automatically issue a  
 22 receipt. The registers shall be equipped with devices which lock in sales totals and other transaction records, or  
 23 with counters which are not resettable and which record transaction numbers and sales details. Totals registered  
 24 shall be read and recorded by TENANT at the beginning and end of each business day.

25 In the event of admission charges or rentals, TENANT shall issue serially numbered tickets for each such  
 26 admission or rental and shall keep an adequate record of said tickets, both issued and unissued.

27 All retail sales and charges may be recorded by a system other than cash registers or other comparable devices  
 28 provided said system is approved by Auditor-Controller.

B. The Accounting Year. The accounting year shall be twelve full calendar months. The accounting year may  
 be established by TENANT, provided TENANT notifies Auditor-Controller in writing of the accounting year to  
 be used. Said accounting year shall be deemed to be approved by Auditor-Controller unless Auditor-Controller  
 has objected to TENANT's selection in writing within sixty days of TENANT's written notification.

In the event TENANT fails to establish an accounting year of its choice, regardless of the cause, the accounting  
 year shall be the twelve-month period contained in the first one-year term of the Lease.

Any portion of a year that is not reconciled, should the accounting year and the anniversary year of the lease  
 commencement not be the same, shall be accounted for on a prorated basis as if it were a complete accounting  
 year.

Once an accounting year is established, it shall be continued through the term of the lease unless  
 Auditor-Controller specifically approves in writing a different accounting year. Auditor-Controller shall only

1 approve a change in accounting years in the event of undue hardship being placed on either the TENANT or  
2 LESSOR, and not because of mere convenience or inconvenience.

3 C. Financial Statements. Within ninety (90) days after the end of each accounting year, TENANT shall at its  
4 own expense submit to Auditor-Controller a balance sheet and income statement prepared by an independent  
5 Certified Public Accountant (CPA) who is a member of American Institute of CPAs and the California Society  
6 of CPAs, reflecting business transacted on or from the Premises during the preceding accounting year. The CPA  
7 must attest that the balance sheet and income statement submitted are an accurate representation of TENANT's  
8 records as reported to the United States of America for income tax purposes. At the same time, TENANT shall  
9 submit to Auditor-Controller a statement certified as to accuracy by an independent CPA who is a member of  
10 American Institute of CPAs and the California Society of CPAs, wherein the total gross receipts for the accounting  
11 year are classified according to the categories of business established for percentage rent and listed in the Clause  
12 6 (RENT) for business conducted on or from the Premises. TENANT shall provide LESSOR with copies of any  
13 CPA's management letters prepared in conjunction with their audits of TENANT's operations from the Premises.  
14 Copies of management letters shall be provided directly to LESSOR by the CPA at the same time TENANT's  
15 copy is provided to TENANT.

16 TENANT acknowledges its understanding that any and all of the Financial Statement submitted to the LESSOR  
17 pursuant to this Lease become Public Records and are subject to public inspection pursuant to §§ 6250 et. seq.  
18 of the California Government Code.

19 All TENANT's books of account and records and supporting source documents related to this Lease or to business  
20 operations conducted within or from the Premises shall be kept and made available at one location within the  
21 limits of the County of Orange. LESSOR shall, through its duly authorized agents or representatives, have the  
22 right to examine and audit said books of account and records and supporting source documents at any and all  
23 reasonable times for the purpose of determining the accuracy thereof, and of the monthly statements of sales made  
24 and monies received.

25 LESSOR's Internal Audit Department, upon request of TENANT and at said Internal Audit Department's sole  
26 discretion, may authorize the above-referenced books and records and supporting source documents to be kept in  
27 a single location outside the limits of Orange County provided TENANT shall agree to pay all expenses including  
28 but not limited to transportation, food, and lodging necessary for Internal Audit Department to send a  
representative to audit said books and records. Said right shall not be exercised by Internal Audit Department  
more than once each accounting year.

The full cost of said audit, as determined by Internal Audit Department, shall be borne by TENANT if either or  
both of the following conditions exist:

(1) The audit reveals an underpayment of more than two percent (2%) between the rent due as reported and  
paid by TENANT in accordance with this Lease and the rent due as determined by said audit;

(2) TENANT has failed to maintain true and complete books, records, accounts and supporting source  
documents in accordance with Section A "Records" above. The adequacy of records shall be determined at  
the sole discretion of Internal Audit Department.

Otherwise, LESSOR shall bear the cost of said audit, excluding the aforementioned expenses related to audit of  
documents kept outside the limits of Orange County.

Upon the request of Internal Audit Department, TENANT shall promptly provide, at TENANT's expense,  
necessary data to enable LESSOR to fully comply with any and every requirement of the State of California or  
the United States of America for information or reports relating to this Lease and to TENANT's use of the  
Premises. Such data shall include, if required, a detailed breakdown of TENANT's receipts and expenses.

In addition to any other remedies available to LESSOR at law or in equity or under this Lease, in the event the TENANT fails to maintain and keep books, records, and accounts from the Premises and/or source documents relating thereto, or to make the same available to LESSOR for examination and audit, or to record sales and/or to maintain registers to record sales, or to provide financial statements and other information to LESSOR regarding gross sales as required by this Lease, LESSOR, at LESSOR's option, may:

(I) Perform such examinations, audits, and/or investigations itself or through agents or employees as LESSOR and/or its auditors may deem appropriate to confirm the amount of percentage rents payable by TENANT under this Lease and any and all costs and/or expenses incurred by LESSOR in connection therewith shall be promptly reimbursed to LESSOR by TENANT upon demand.

(II) Provide accounting services and/or a system for recording retail sales and charges, including without limitation, cash registers, for use by TENANT in business transactions upon or from the Premises, and, at LESSOR's option, maintain personnel on the Premises to observe and/or record such sales during TENANT's business hours, or from time to time, all at TENANT's sole cost and expense and, in such event, TENANT shall promptly reimburse LESSOR for any and all costs incurred by LESSOR in connection therewith.

The above costs payable by TENANT shall include reimbursement to LESSOR of LESSOR-provided services at such rates as LESSOR may from time to time, in good faith, establish for such services. In the case of services provided by LESSOR's employees, such rates shall be sufficient to reimburse LESSOR for employees' salaries, including employee taxes and benefits and LESSOR's overhead or, at LESSOR's option, may be the rate for such services that would be charged by a qualified third party or parties, approved by LESSOR, if engaged by LESSOR to perform such services.

#### 14. SECURITY DEPOSIT (PMC9.2 S)

During the term of this Lease and subject to the provisions for adjustment as provided hereinafter, TENANT shall provide LESSOR with a security deposit in the sum of Fifty Thousand Dollars (\$ 50,000). Concurrently with each revision of the Minimum Annual Rent pursuant to Clause 9 (REVISION OF MINIMUM ANNUAL RENT), the security deposit to be provided by TENANT shall be adjusted in proportion to changes in the Consumer Price Index for Los Angeles--Anaheim--Riverside (All Urban Consumers--All Items) promulgated by the Bureau of Labor Statistics of the U.S. Department of Labor, or any replacement index published thereto. Each adjustment shall be calculated by the following formula:

$$X = \frac{\$ 50,000 \times \Delta}{B}$$

X = Adjusted security deposit

A = Monthly index for the fourth month prior to the month in which the adjustment is to become effective

B = Monthly index for the month in which the Lease becomes effective as set forth in Clause 5 (TERM)

In no event shall the amount of the security deposit be reduced. All increase amounts in the security deposit that result from the above adjustment shall be due and payable to County of Orange, GSA/Real Estate, within ten (10) days of receipt of a notice of security deposit adjustment from the Real Estate Director.

In the event that the Consumer Price Index is not issued or published for the period for which such adjustment is to be computed hereunder, or in the event that the Bureau of Labor Statistics of the United States Department of Labor should cease to publish said index figures, then any similar index published by another branch or department of the U.S. Government selected by LESSOR shall be used and if none is so published, then another index generally recognized as authoritative shall be substituted by LESSOR.

1 The security deposit shall take one of the forms set out below and shall guarantee TENANT's full and faithful  
 2 performance of all the terms, covenants, and conditions of this Lease:

3 A. Cash

4 B. The assignment to LESSOR of a savings deposit held in a financial institution in Orange County acceptable  
 5 to Real Estate Director. At the minimum, such assignment shall be evidenced by the delivery to Real Estate  
 6 Director of the original passbook reflecting said savings deposit and a written assignment of said deposit to County  
 7 of Orange, GSA/Real Estate, in a form approved by Real Estate Director.

8 C. A Time Certificate of Deposit from a financial institution in Orange County wherein the principal sum is made  
 9 payable to County of Orange, GSA/Real Estate, or order. Both the financial institution and the form of the  
 10 certificate must be approved by Real Estate Director.

11 D. An instrument or instruments of credit from one or more financial institutions, subject to regulation by the  
 12 state or federal government, pledging that funds necessary to secure performance of the lease terms, covenants,  
 13 and conditions are on deposit and guaranteed for payment, and agreeing that said funds shall be trust funds  
 14 securing TENANT's performance and that all or any part shall be paid to County of Orange, GSA/Real Estate,  
 15 or order upon demand by Real Estate Director. Both the financial institution(s) and the form of the instrument(s)  
 16 must be approved by Real Estate Director.

17 At any time that Real Estate Director deems appropriate to insure the availability of the security deposit, Real Estate  
 18 Director shall have the right to convert any savings deposit, time certificate of deposit, or instrument of credit to cash  
 19 without recourse to TENANT.

20 Regardless of the form in which TENANT elects to make said security deposit, all or a portion of the principal sum  
 21 shall be available unconditionally to Real Estate Director, for correcting any default or breach of this Lease by  
 22 TENANT, his successors or assigns, or for payment of expenses incurred by LESSOR as a result of the failure of  
 23 TENANT, his successors or assigns, to faithfully perform all terms, covenants, and conditions of this Lease.

24 Should TENANT elect to assign a savings deposit, provide a Time Certificate of Deposit or an instrument of credit  
 25 to fulfill the security deposit requirements of this Lease, said assignment, certificate, or instrument shall have the effect  
 26 of releasing the depository or creditor therein from liability to TENANT on account of the payment of any or all of  
 27 the principal sum to Real Estate Director, or order upon demand by Real Estate Director. The agreement entered into  
 28 by TENANT with a financial institution to establish the deposit necessary to permit assignment or issuance of a  
 certificate as provided above will at TENANT's option allow the payment to TENANT of interest accruing on account  
 of said deposit.

In the event Real Estate Director withdraws any or all of the security deposit as provided herein, TENANT shall, within  
 ten (10) days of any withdrawal by Real Estate Director, replenish the security deposit to maintain it at amounts as  
 herein required throughout the Lease term. Failure to do so shall be deemed a default and shall be grounds for  
 immediate termination of this Lease.

The security deposit shall be rebated, reassigned, released, or endorsed by Real Estate Director to TENANT or order,  
 as applicable, at the end of the Lease term, provided TENANT has fully and faithfully performed each and every term,  
 covenant, and condition of this Lease.

#### 15. INITIAL CONSTRUCTION BY TENANT (PMDL1 N)

A. Minimum Construction and Timing. TENANT shall cause to be designed, constructed, and installed within  
 the Premises, at no cost to LESSOR or IRWD, appropriate improvements to adequately accommodate those

1 services and uses, both required and any other optional services and uses approved pursuant to Clause 4  
2 (REQUIRED AND OPTIONAL SERVICES AND USES).

3 The schematic plans prepared by TENANT and approved by LESSOR's Design Review Board during the option  
4 period preceding execution of this Lease shall be a master plan development of the Premises, and the preliminary  
5 plans prepared by TENANT and approved by the Design Review Board during the same period shall be the plans,  
6 specifications, and time schedule for constructing improvements. Development proposed by TENANT in said  
7 master plan may be scheduled in increments approved by the Design Review Board, provided however, that the  
8 first increment shall include an 18-hole golf course and all parking and landscaping required to fulfill TENANT's  
9 ultimate development plan. Adequate provisions, acceptable to Director of HBP, shall be made for maintenance  
10 of undeveloped portions of the Premises.

11 B. Development Plan and Construction Standards. Development of the Premises shall be conducted in a good  
12 and workmanlike manner and shall conform to construction contract documents approved by the Design Review  
13 Board during the option period preceding this Lease and shall meet all other requirements contained in this Lease.

14 C. Existing Infrastructure. LESSOR will ensure to the best of its ability and at no cost to LESSOR or IRWD  
15 that existing public infrastructure serving the site will remain available, or if altered, will be returned to its present  
16 condition (or an equivalent), should any outside governmental agency propose or make changes to said  
17 infrastructure (e.g., the existing landscape hedge row along University Avenue).

18 16. SUBSEQUENT CONSTRUCTION AND/OR ALTERATION BY TENANT (PMD2.1 N)

19 A. Lessor's Consent. Subsequent to initial construction as set forth in the Clause 15 (INITIAL CONSTRUCTION  
20 BY TENANT) of this Lease, no structures, improvements, or facilities shall be constructed, erected, altered, or  
21 made within the Premises without prior written consent of Director of HBP which consent shall not be  
22 unreasonably withheld. Minor relocation and non-substantial alteration of tee areas and greens may be done by  
23 TENANT without prior written consent of Director of HBP. Any conditions relating to the manner, method,  
24 design, and construction of said structures, improvements, or facilities imposed by the Director of HBP as a  
25 condition to granting such consent, shall be conditions hereof as though originally stated herein. TENANT may,  
26 at any time and at its sole expense, install and place business fixtures and equipment within any building  
27 constructed by TENANT in accordance with plans previously approved by Director of HBP.

28 B. Substantial Compliance with Plans and Specifications. All improvements constructed by TENANT within  
the Premises shall be constructed in substantial compliance with detailed plans and specifications approved by  
Director of HBP.

17. TENANT'S ASSURANCE OF CONSTRUCTION COMPLETION (PMD3.1 S)

Prior to commencement of construction of approved facilities, or any phase thereof, within the Premises by TENANT,  
TENANT shall furnish to LESSOR evidence that assures LESSOR that sufficient monies will be available to complete  
the proposed construction. The amount of money available shall be at least the total estimated construction cost. Such  
evidence may take one of the following forms:

A. Completion bond issued to LESSOR and IRWD as obligees.

B. Irrevocable letter of credit or set aside letter acceptable to LESSOR and issued to LESSOR and IRWD from  
a financial institution to be in effect until LESSOR and IRWD acknowledge satisfactory completion of  
construction.

C. Cash.

1 D. Any combination of the above.

2 All bonds and letters of credit must be issued by a company qualified to do business in the State of California and  
3 acceptable to Real Estate Director. All bonds and letters of credit shall be in a form acceptable to Real Estate Director  
4 and shall insure faithful and full observance and performance by TENANT of all terms, conditions, covenants, and  
5 agreements relating to the construction of improvements within the Premises.

6 Prior to commencement of construction of approved facilities, or any phase thereof, within the Premises by TENANT,  
7 TENANT shall furnish to LESSOR a performance bond and labor and material bond in a principal sum equal to the  
8 total estimated construction cost supplied by TENANT's contractor or contractors, provided said bonds are issued  
9 collectively to TENANT, LESSOR, and IRWD as obligees.

10 18. MECHANICS LIENS OR STOP-NOTICES (PMD4.1 S)

11 TENANT shall at all times indemnify and save LESSOR and IRWD harmless from all claims, losses, demands,  
12 damages, costs, expenses, penalties, fines or liability costs for labor or materials in connection with construction, repair,  
13 alteration, or installation of structures, improvements, equipment, or facilities within the Premises, and from the cost  
14 of defending against such claims, including attorney fees and costs.

15 In the event a lien or stop-notice is imposed upon the Premises as a result of such construction, repair, alteration, or  
16 installation, TENANT shall either:

17 1. Record a valid Release of Lien, or

18 2. Procure and record a bond in accordance with Section 3143 and/or 3171 of the Civil Code and any successor  
19 statutes, which frees the Premises from the claim of the lien or stop-notice and from any action brought to  
20 foreclose the lien.

21 Should TENANT fail to accomplish either of the two optional actions above within 15 days after the filing of such a  
22 lien or stop-notice, the Lease shall be in default and shall be subject to immediate termination.

23 19. "AS-BUILT" PLANS (RECORD DRAWINGS) AND CONSTRUCTION COSTS (PMD5.1 S)

24 Within 60 days following completion of any substantial improvement within the Premises, TENANT shall separately  
25 furnish to Director of HBP and IRWD a complete set of reproducible mylars and three sets of prints of record  
26 drawings. In addition, TENANT shall furnish Director of HBP an itemized statement of the actual construction cost  
27 of such improvement. The statement of cost shall be sworn to and signed by TENANT or his responsible agent under  
28 penalty of perjury. TENANT must obtain Director of HBP's approval of record drawings, and the form and content  
of the itemized statement.

20. OWNERSHIP OF IMPROVEMENTS (PMD6.1 N)

All buildings, improvements, and facilities, exclusive of trade fixtures, constructed or placed within the Premises by  
TENANT must, upon completion, be free and clear of all liens, claims, or liability for labor or material and at LESSOR  
and IRWD's option shall be the property of LESSOR and IRWD, in equal undivided shares, at the expiration of this  
Lease or upon earlier termination hereof. LESSOR and IRWD retain the right to require TENANT, at TENANT's cost,  
to remove all structures located on the Premises, at the expiration or termination hereof. In the event LESSOR and  
IRWD choose to continue operation of the golf course facility at the end of the Lease term, removal of structures by  
TENANT shall not be required.

1 21. UTILITIES (PME1.1 S)

2 TENANT at no cost to LESSOR or IRWD shall construct, or cause to be constructed, all utility lines, meters and support facilities within the Premises necessary for the operation of the required and optional uses.

3 TENANT shall be responsible for and pay, prior to the delinquency date, all charges for utilities supplied to the Premises, excepting those separately metered and used by IRWD for its purposes.

4 22. MAINTENANCE OBLIGATIONS OF TENANT (PME2.1 N)

5 TENANT shall, to the satisfaction of Director of HBP, keep and maintain the Premises and all improvements of any kind which may be erected, installed, or made thereon in a first class condition and repair and at a minimum, the Premises and all such improvements shall be maintained in accordance with EXHIBIT C (MAINTENANCE STANDARDS) attached hereto. It shall be TENANT's responsibility to take all steps necessary or appropriate to maintain such a standard of condition and repair.

6 Prior to commencing operations, TENANT shall provide LESSOR with a copy of a maintenance plan which includes methods to be used to irrigate the premises, prevent soil erosion as well as methods used in applications of insecticides and fertilizers. TENANT understands that the Premises shall be irrigated with reclaimed water which shall be sold to TENANT at standard rates. Said maintenance plan shall be periodically updated by TENANT and available for review upon request by the Director of HBP.

7 TENANT expressly agrees to maintain the Premises in a safe, clean, wholesome, sanitary condition, to the complete satisfaction of Director of HBP and in compliance with all applicable laws. TENANT further agrees to provide approved containers for trash and garbage and to keep the Premises free and clear of rubbish and litter. Director of HBP, or his or her designee, shall have the right to enter upon and inspect the Premises at anytime for cleanliness and safety.

8 TENANT shall designate in writing to Director of HBP an on-site representative who shall be responsible for the day-to-day operation and level of maintenance, cleanliness, and general order.

9 If TENANT fails to maintain or make repairs or replacements as required herein, Director of HBP shall notify TENANT in writing of said failure. Should TENANT fail to correct the situation within three days after receipt of written notice, Director of HBP may make the necessary correction or cause it to be made and the cost thereof, including but not limited to the cost of labor, materials, equipment, and an administrative fee equal to fifteen percent (15%) of the sum of such items, shall be paid by TENANT within 10 days of receipt of a statement of said cost from Director of HBP. Director of HBP may, at his or her option, choose other remedies available herein, or by law.

10 Interim Modernization of Leasehold Structures

11 In addition to the ongoing maintenance and repair required herein, the following renovation and modernization program to the extent deemed necessary with respect to a high quality standard by the Director of HBP, shall be a requirement of TENANT.

12 A major renovation and modernization program, to bring the exterior and interior of all structures on the Premises up to the quality and prevailing standards for the uses authorized, must be scheduled to occur at the twentieth (20th) and thirty fifth (35th) year of this Lease term.

13 The renovation and modernization undertaken by TENANT at that time, must satisfy the Director of HBP that the improvements on the Premises will, for the balance of the remaining Lease term, retain attractiveness as a recreational facility, remain structurally sound, and provide first class facilities for the uses authorized, thus assuring both satisfactory service and revenue.

1 A minimum modernization program will include reconditioning exteriors by repainting, replacement of exterior material  
2 with like or better materials, reroofing with equivalent or better materials and replacement of landscaping materials as  
3 necessary. Interior modernization shall include painting; replacement of floor covering, refinishing of cabinets,  
hardware and bathroom fixtures; and repair or replacement of plumbing, electrical, heating, ventilating and air-  
conditioning systems. Refinishing or replacement of interior furnishings shall also be included.

4 The modernization plan will be submitted to and approved by the Director of HBP, before implementation, and must  
5 be scheduled for completion no later than the end of the twentieth (20th) and thirty fifth (35th) year of this Lease term.

6 The reason for the renovation and modernization provision of this agreement is to assure that a high quality Facility  
7 compatible with the recreational needs of the public are maintained for the full Lease term. TENANT shall establish  
8 a capital replacement fund to assure a sufficient reserve to accomplish renovation and modernization program and shall  
9 not seek concessions from LESSOR, financial or otherwise, as a condition for fulfilling the requirements to undertake  
said program.

23. DAMAGE TO OR DESTRUCTION OF IMPROVEMENTS (PME4.1 N)

10 In the event of damage to or destruction of TENANT-constructed buildings, facilities, or improvements located within  
11 the Premises or in the event TENANT-constructed buildings, facilities, or improvements located within the Premises  
12 are declared unsafe or unfit for use or occupancy by a public entity with the authority to make and enforce such  
13 declaration, TENANT shall, within 30 days, commence and diligently pursue to complete the repair, replacement, or  
14 reconstruction of improvements to the same size and floor area as they existed immediately prior to the event causing  
15 the damage or destruction, as necessary to permit full use and occupancy of the Premises for the purposes required by  
16 the Lease. Repair, replacement, or reconstruction of improvements within the Premises shall be accomplished in a  
17 manner and according to plans approved by Director of HBP. Except as otherwise provided herein, termination of this  
18 Lease shall not reduce or nullify TENANT's obligation under this paragraph. With respect to damage or destruction  
19 to be repaired by LESSOR or which LESSOR elects to repair, TENANT waives and releases its rights under California  
20 Civil Code Sections 1932 (2) and 1933 (4).

21 In the event of an uninsured casualty loss occurring in the last five (5) years of the Lease term, TENANT shall be  
22 obligated for cost of such repair, replacement or reconstruction not to exceed One Million Dollars (\$1,000,000) adjusted  
23 automatically by the change in the Consumer Price Index or any replacement index published thereto.

24. INSURANCE (PME5.1.1 S)

25 TENANT shall maintain insurance acceptable to Real Estate Director in full force and effect throughout the term of  
26 this Lease. The policy or policies of insurance maintained by TENANT shall provide the following minimum limits  
27 and coverages.

Minimum Limits

28 A. Comprehensive General Liability \$ 5,000,000 for personal injuries including  
but not limited to bodily injury, personal  
injury, property damage liability, contractual  
liability, products/completed operations  
liability and independent contractors liability.

B. Fire and Extended Coverage: TENANT shall insure all TENANT-constructed  
buildings, facilities and improvements to at least 90%  
of their replacement cost, using a standard  
form fire insurance policy containing the  
"extended coverage" endorsement.

C. Workers Compensation and Employers Liability

Statutory

Insurance shall be in force upon the effective date of this Lease as set forth in Clause 5 (TERM).

Each liability insurance policy required by this Lease shall contain the following three clauses:

- A. "This insurance shall not be cancelled, limited in scope of coverage or non-renewed until after 30 days written notice has been given to the County of Orange, General Services Agency/Real Estate, 14 Civic Center Plaza, 3rd Floor, Santa Ana, California 92702."
- B. "County of Orange and Irvine Ranch Water District are added as additional insureds as respects operations of the named insured at or from premises leased or subject to an option to lease from the County of Orange on behalf of itself and Irvine Ranch Water District."
- C. "It is agreed that any insurance maintained by the County of Orange or the Irvine Ranch Water District will apply in excess of, and not contribute with, insurance provided by this policy."

Each property insurance policy required by this Lease shall contain Clause A above and the following two clauses:

- D. "All rights of subrogation are hereby waived against the County of Orange and the Irvine Ranch Water District and the members of the respective Boards and elective or appointive officers or employees, when acting within the scope of their employment or appointment."
- E. "County of Orange and Irvine Ranch Water District are named as loss payees on this property insurance policy."

TENANT agrees to deposit with Real Estate Director, at or before the effective date of this Lease, certificates of insurance necessary to satisfy Real Estate Director that the insurance provisions of this Lease have been complied with, and to keep such insurance in effect and the certificates therefor on deposit with Real Estate Director during the entire term of this Lease.

Real Estate Director shall retain the right at any time to review the coverage, form, and amount of the insurance required hereby. If, in the opinion of Real Estate Director, the insurance provisions in this Lease do not provide adequate protection for LESSOR and IRWD and members of the public using the Premises, Real Estate Director may require TENANT to obtain insurance sufficient in coverage, form, and amount to provide adequate protection. Real Estate Director's requirements shall be reasonable but shall be designed to assure protection from and against the kind and extent of the risks which exist at the time a change in insurance is required. Earthquake insurance coverage shall not be required.

Real Estate Director shall notify TENANT in writing of changes in the insurance requirements; and if TENANT does not deposit copies of acceptable insurance policies with Real Estate Director incorporating such changes within thirty days of receipt of such notice, this Lease shall be in default without further notice to TENANT, and LESSOR shall be entitled to all legal remedies.

The procuring of such required policy or policies of insurance shall not be construed to limit TENANT's liability hereunder nor to fulfill the indemnification provisions and requirements of this Lease.

25. ASSIGNING, SUBLETTING, AND ENCUMBERING (PME7.1 N)

A. General. Any mortgage, pledge, hypothecation, encumbrance, transfer, sublease, sublease amendment or assignment (hereinafter in this clause referred to collectively as "Encumbrance") of TENANT's interest in the

1 Premises, or any part or portion thereof, shall first be approved in writing by LESSOR, unless otherwise provided  
 2 herein. Failure to obtain LESSOR's required written approval of an Encumbrance will render such Encumbrance  
 3 void. Occupancy of the Premises by a prospective transferee, sublessee, or assignee before approval of the  
 4 transfer, sublease, or assignment by LESSOR shall constitute a breach of this Lease. All subleases shall be  
 5 between TENANT and sublessee; the entry into sub-subleases is prohibited and shall constitute a breach of this  
 6 Lease.

7 If the TENANT hereunder is a corporation or an unincorporated association or partnership, the Encumbrance of  
 8 any stock or interest in said corporation, association, partnership in the aggregate exceeding 25% of the stock or  
 9 other interest in TENANT voluntarily sold assigned or transferred over any period of 12 consecutive months shall  
 10 be deemed an assignment within the meaning of this Lease. If the TENANT hereunder is a limited liability  
 11 company, the Encumbrance of any membership interest in the aggregate exceeding 25% of the senior class or  
 12 classes of the membership in TENANT voluntarily sold, assigned or transferred over any period of 12 consecutive  
 13 months, where "senior class" is the most senior class and any class whose equity contributions are not subject to  
 14 prepayment by the company shall be deemed an assignment within the meaning of this Lease. Regardless of  
 15 percentage interest, any transfer of or change in management of the limited liability company shall be deemed an  
 16 Encumbrance and shall be subject to Lessor's prior written approval.

17 Should LESSOR consent to any Encumbrance, such consent shall not constitute a waiver of any of the terms,  
 18 covenants, or conditions of this Lease or be construed as LESSOR's consent to any further Encumbrance. Such  
 19 terms, covenant or conditions shall apply to each and every Encumbrance hereunder and shall be severally binding  
 20 upon each and every party thereto. Any document to mortgage, pledge, hypothecate, encumber, transfer, sublet,  
 21 or assign the Premises or any part thereof shall not be inconsistent with the provisions of this Lease. LESSOR's  
 22 consent shall not be deemed to constitute approval of any inconsistency, and in the event of any such  
 23 inconsistency, the provisions of this Lease shall control.

24 B. Personal Information to be Supplied LESSOR. TENANT shall supply Real Estate Director with the necessary  
 25 information to conduct background investigations on all persons or firms that TENANT proposes to sublet to or  
 26 assign to, or that might establish rights to enter, control, or otherwise encumber the Premises by reason of  
 27 agreements made by TENANT.

28 C. Conditions of LESSOR Approval

1. Subleases of five years or less (hereinafter referred to as short-term subleases), and assignments or  
 amendments of subleases with a remaining term less than five years (hereinafter referred to as short-term  
 assignments):

a. Short-term subleases and short-term assignments shall not be subject to the requirement of prior  
 approval by LESSOR. TENANT shall not, however, be precluded from requesting such prior approval.

b. TENANT must notify LESSOR of all short-term subleases and short-term assignments, by providing  
 Real Estate Director with:

(1) a copy of all documents relating thereto; and

(2) a statement of all terms and conditions of said transaction, including the consideration therefor.

c. Should TENANT choose not to obtain LESSOR's approval of short-term subleases and short-term  
 assignments, LESSOR reserves the right to disallow any unapproved short-term subleases or short-term  
 assignments, if any of the following conditions exist:

1 (1) TENANT, its successors or assigns, are in default in the terms of this Lease at the time of execution  
2 of the short-term sublease or short-term assignments whether notice of default has or has not been given  
3 by LESSOR;

4 (2) Sublessee or assignee has not agreed in writing to keep, perform, and be bound by all the terms,  
5 covenants, and conditions of this Lease;

6 (3) Sublessee's use is in conflict with the terms of this Lease;

7 (4) All terms, covenants, and conditions of Encumbrance, including the consideration therefor of any  
8 and every kind, have not been revealed in writing to LESSOR;

9 (5) Additions to or alteration of existing structures, or construction of new structures by sublessee or  
10 that are required of TENANT as a result of short-term sublease or short-short assignment, have not been  
11 approved by LESSOR and are not in compliance with all government regulations and ordinances; and

12 (6) If sublessee or assignee are determined by LESSOR to be financially incapable, inexperienced in  
13 required operations or otherwise unqualified to comply with the terms of this Lease.

14 Real Estate Director shall notify TENANT in writing of the disallowance of short-term sublease or short-  
15 term assignment for any of the above reasons, and TENANT shall immediately proceed to remove any  
16 persons or firms from the Premises that were indicated by said notice. Failure to comply within a  
17 reasonable time on the part of TENANT shall constitute a breach of this Lease.

18 2. Assignments or amendments of subleases with a remaining term greater than five (5) years, assignment  
19 of stock, transfers, new subleases (except short-term subleases), hypothecations, mortgages, or other  
20 Encumbrances are subject to the prior written approval of LESSOR:

21 a. LESSOR agrees that it will not arbitrarily withhold consent of any Encumbrance, but LESSOR may  
22 withhold consent at its sole discretion if any of the following conditions exist:

23 (1) TENANT or any of his successors or assigns are in default in any term, covenant, or condition of  
24 this Lease, whether notice of default has or has not been given by LESSOR;

25 (2) The prospective Encumbrancer has not agreed in writing to keep, perform, and be bound by all the  
26 terms, covenants, and conditions of this Lease;

27 (3) The prospective Assignee is not experienced in golf course operation;

28 (4) The prospective Assignee cannot provide evidence of financial ability to operate a golf course;

(5) All the terms, covenants, and conditions of Encumbrance, including the consideration therefor of  
any and every kind, have not been revealed in writing to LESSOR;

(6) The construction required of TENANT as a condition of this Lease has not been completed to the  
reasonable satisfaction of LESSOR; and

(7) The processing fee required by LESSOR and set out below has not been paid to LESSOR by  
delivery of said fee to LESSOR.

(a) A fee of \$2,000 shall be paid to LESSOR for processing each consent to mortgage, pledge, hypothecation, or Encumbrance submitted to LESSOR as required by this Lease. This processing fee shall be deemed earned by LESSOR when paid and shall not be refundable.

(b) A fee of \$1,500 shall be paid to LESSOR for processing each consent to assignment, transfer, or sublease submitted to LESSOR as required by this Lease. This processing fee shall be deemed earned by LESSOR when paid and shall not be refundable.

If a processing fee has been paid by TENANT for another phase of the same transaction, a second fee will not be charged.

The amounts specified above for processing fees shall be automatically adjusted for all consents required or requested subsequent to the second year of this Lease. Said adjustment shall be in proportion to the change in the Consumer Price Index for Los Angeles--Anaheim--Riverside, CA (All Urban Consumers-- All Items) as promulgated by the Bureau of Labor Statistics of the U. S. Department of Labor, or any replacement index thereto.

Said automatic adjustment shall be calculated by means of the following formula, then rounded to the nearest ten dollar figure:

$$A = B \times \frac{C}{D}$$

- Where A = adjusted processing fee
- B = \$\_\_\_ [the amount inserted in 7a or 7b above]
- C = Monthly index for the fourth month prior to the effective date of the Consent
- D = Monthly index for the date this Lease was signed by LESSOR

In no event shall the amount of the processing fees be reduced by such an adjustment.

In the event that the Consumer Price Index is not issued or published for the period for which such adjustment is to be computed hereunder, or in the event that the Bureau of Labor Statistics of the United States Department of Labor should cease to publish said index figures, then any similar index published by another branch or department of the U.S. Government selected by LESSOR shall be used and if none is so published, then another index generally recognized and authoritative shall be substituted by LESSOR.

b. If in connection with obtaining financing for the Premises or any portion thereof, TENANT's lender shall request reasonable modification to this Lease as a condition to such financing, LESSOR shall not unreasonably withhold consent thereto, provided such modification does not adversely affect LESSOR's rights hereunder. LESSOR shall not consent to the removal of any leasehold improvement from the Premises as collateral for a loan to a lender that would substantially interfere with the primary use of the Premises as a golf course or adversely affect LESSOR's or IRWD's reserved rights and uses. If requested by TENANT, LESSOR agrees to execute its written consent to an assignment of this Lease to a trustee under a trust deed for the benefit of a lender (herein called "Beneficiary"), provided that TENANT has complied with all other provisions of this clause, upon and subject to the following covenants and conditions:

(1) Said trust deed and all rights acquired thereunder shall be subject to each and all of the covenants, conditions, and restrictions set forth in this Lease and to all rights and interests of LESSOR hereunder, except as herein otherwise provided;

1 (2) In the event of any conflict between the provisions of this Lease and the provisions of any such trust  
2 deed, the provisions of this Lease shall control;

3 (3) Upon and immediately after the recording of a trust deed affecting the Premises, TENANT at  
4 TENANT's expense, shall cause to be recorded in the office of the Recorder, County of Orange,  
5 California, a written request, executed and acknowledged by LESSOR, for a copy of any notice of  
6 default and of any notice of sale under the trust deed provided by the statutes of the State of California  
7 relating thereto;

8 (4) At the time of requesting consent to a trust deed, TENANT shall furnish to Real Estate Director a  
9 complete copy of the trust deed and note to be secured thereby, together with the name and address of  
10 the holder thereof;

11 (5) LESSOR agrees that it will not terminate this Lease because of a default or breach on the part of  
12 TENANT if the Beneficiary under any trust deed to which LESSOR has given its consent, within 60  
13 days after service of written notice on the Beneficiary by LESSOR of its intention to terminate this  
14 Lease for such default or breach, shall:

15 (a) Cure or cause to be cured such default or breach or if such default or breach is not curable,  
16 cause trustee under the trust deed to commence and thereafter diligently pursue to completion steps  
17 and proceedings for the exercise of the power of sale under and pursuant to the trust deed in the  
18 manner provided by law; and

19 (b) Keep and perform all of the covenants and conditions of this Lease requiring the payment or  
20 expenditure of money by TENANT until such time as the leasehold shall be sold upon foreclosure  
21 pursuant to the trust deed or shall be released or reconveyed thereunder; provided, however, that  
22 if the Beneficiary shall fail or refuse to comply with any or all of the conditions of this paragraph,  
23 then thereupon LESSOR shall be released from the covenant of forbearance.

24 In the event of default by TENANT resulting in a beneficiary under a trust deed of a lender taking  
25 possession of the Premises, Default Rent shall be in effect as set forth in Clause 6 (RENT) of this  
26 Lease.

27 (6) The prior written consent of LESSOR to the transfers described in (a) or (b) of this Clause shall  
28 not be required provided that in either such event, the Beneficiary forthwith gives notice to LESSOR  
in writing of any such transfer, setting forth the name and address of the transferee, the effective date  
of such transfer, and the express agreement of the transferee assuming and agreeing to perform all of  
the obligations under this Lease, and submits to Real Estate Director a copy of the document by which  
such transfer was made:

(a) A transfer of the leasehold at foreclosure sale pursuant to a trust deed, by judicial foreclosure,  
or by an assignment in lieu of foreclosure; or

(b) Any subsequent transfer by the Beneficiary if the transferee is an established bank, savings and  
loan association, insurance company, retirement trust fund, or other organization that has been  
approved by LESSOR and such transferee is the purchaser at such foreclosure sale.

Prior to any such transfer/sale resulting from foreclosure proceedings, LESSOR shall have the right to  
negotiate with said Beneficiary an equitable purchase by LESSOR of TENANT's leasehold estate. In  
the event LESSOR and Beneficiary cannot agree on terms of such purchase within thirty (30) days of  
Beneficiary's written notification to LESSOR of a foreclosure transfer/sale, Beneficiary may proceed  
with said foreclosure transfer/sale.

(7) The amount of the principal indebtedness to be secured by the proposed trust deed (together with the principal balances secured by any other trust deeds encumbering TENANT's leasehold estate) shall not exceed eighty percent (80%) of the fair market value of TENANT's leasehold estate (ii below) as determined by a qualified real estate appraiser, which appraiser and appraisal shall be subject to Real Estate Director's approval, which approval shall not unreasonably be withheld. This provision, however, shall not prohibit the addition of accrued but unpaid interest to the principal balance secured by said deed of trust or the trust deed beneficiary's advance of additional funds to protect the value of the security for its trust deed and/or to enforce its rights under its trust deed. Said appraisal shall include, without limitation, (i) an appraisal of the fair market value of the LESSOR's interests under this Lease and of its reversionary interests in and to the Premises, taking into account all rents and other sums payable hereunder by TENANT and the revisions and the adjustments to such rents and other sums provided for herein, (ii) an appraisal of the fair market value of TENANT's leasehold estate under this Lease, and (iii) an appraisal of the fair market value of the real property demised by this Lease, including without limitation all improvements constructed upon said real property by or under TENANT, appraised as though unencumbered by this Lease. Said appraisal shall be based on the uses then being made of the Premises, provided that if any portion of the Premises is then undeveloped, such portion shall be appraised for the highest and best use or uses permitted under this Lease for such portion. Notwithstanding the above, in the case of a construction loan, said appraisal shall take into account the value to be added by the proposed construction for its intended uses. LESSOR shall have a period of up to forty-five (45) days following receipt of such appraisal to determine whether or not to consent to TENANT's proposed trust deed.

#### D. Assignment and Refinance Fees

1. Assignment Fee. In the event of a voluntary sale, assignment or other transfer of all or any portion of TENANT's legal, equitable or beneficial leasehold interest in this Lease or all or any substantial portion of the membership, stock or other interest in TENANT, LESSOR shall receive an Assignment Fee equal to fifty percent (50%) of the Net Sales Price, as herein defined of such transfer or change in ownership of leasehold interest or membership, stock or other interest in TENANT. For purposes of this Clause D, "substantial portion of the membership, stock or other interest in "TENANT" shall mean (i) if TENANT is a corporation, unincorporated association or partnership, an aggregate amount of more than 25% of the membership, stock or other interest in TENANT voluntarily sold, assigned or transferred over any period of 12 consecutive months or (ii) if TENANT is a limited liability company, an aggregate amount of more than 25% of the senior class or classes of the membership in TENANT voluntarily sold, assigned or transferred over any period of 12 consecutive months, where "senior class" is the most senior class and any class whose equity contributions are not subject to repayment by the company.

Said Assignment Fee shall be paid concurrently with consummation of the sale, assignment or transfer, or in the case of a sale of membership, stock or other interest in TENANT, concurrently with the sale, assignment or transfer that causes the aggregate amount sold, assigned or transferred in the preceding consecutive period of 12 months to exceed 25%. Said Assignment Fee shall be waived if transfer or change in ownership of leasehold interest or membership, stock or other interest in TENANT results from the initiation of a living trust established for estate planning purposes and is not recognized as a basis for reassessment of taxes by the County's Assessor's Office.

In the event transfer or change in ownership of leasehold interest or membership, stock or other interest in TENANT is made at less than fair market value in the opinion of the Real Estate Director, said Assignment Fee shall then be paid based on fair market value. TENANT is prohibited from directly or indirectly transacting incremental sales, assignments or other transfers of leasehold interest or membership, stock or other interest in TENANT or otherwise structuring sales, assignments or other transfers for the purpose of avoiding payment of said Assignment Fee.

1 For purposes of this Lease, the term "Net Sales Price" shall be defined as follows:

2 "Net Sales Price" means the gross amount of consideration received or to be received for or on account  
3 of the sale, assignment or other transfer of TENANT's leasehold interest under this Lease or membership,  
4 stock or other interest in TENANT, less the sum of (i) the actual cost, not to exceed Eleven Million  
5 Dollars (\$11,000,000) or such larger amount as LESSOR has agreed in writing represents the actual cost  
6 reasonably incurred, of capital improvements to the Premises, including the initial and any subsequently  
7 constructed capital improvements and including any unexpended and retained debt financing and equity  
8 capitalization; (ii) the total of all Assignment Fees and Refinance Fees (as defined below) paid by  
9 TENANT to LESSOR in connection with prior transactions, multiplied by 2; and (iii) brokerage  
10 commissions and customary closing costs provided that the maximum aggregate amount of such  
11 commissions and costs shall not exceed the actual out-of-pocket costs to TENANT.

12 The amounts in (i) and (ii) of the Net Sales Price definition shall be prorated for any sale, assignment or other  
13 transfer of a portion of TENANT's leasehold interest under this Lease or a portion of the membership, stock  
14 or other interest in TENANT, as illustrated by the following example:

15 EXAMPLE: Member of TENANT, (a limited liability company) who holds 50% of the senior class  
16 membership, representing a \$500,000 equity contribution, sells its interest for \$600,000. The total amount  
17 of (i) in the Net Sales Price definition is \$10,000,000, and the selling member's \$500,000 equity contribution  
18 is 5% of the total. Member's sale price of \$600,000, divided by 5% equals \$12,000,000. Assuming prior  
19 Refinance Fees and Assignment Fees of \$100,000, and member's brokerage and closing costs of \$1,000  
20 [divided by .05 = \$20,000], the Assignment Fee is [ $\$12,000,000 - (\$10,000,000 + \$200,000 + \$20,000)$ ] x .05  
21 x .5 = \$44,500.

22 If the sale, assignment or transfer is consummated at the same time as a refinancing as described in (2) below,  
23 the Refinance Fee shall be computed and paid in addition to the Assignment Fee, provided that, in the  
24 computation of the Assignment Fee, such concurrent Refinance Fee shall be included in the Refinance Fees  
25 referred to in (ii) of the Net Sales Price definition.

26 It is intended that the Net Sales Price definition, and in particular clause (i) thereof, will result in no  
27 Assignment Fee in the case of a sale by TENANT of membership, stock or other interest in TENANT for the  
28 purpose of obtaining funds to finance the cost of capital improvements to the Premises.

29 **2. Refinance Fee.** In the event any leasehold-secured mortgage is refinanced (for this purpose, refinancing  
30 shall include any financing subsequent to the original construction, which is secured by a mortgage on the  
31 leasehold whether or not the original construction was financed or any outstanding loan balance is being  
32 repaid as part of the transaction), TENANT shall pay LESSOR a Refinance Fee equal to fifty percent (50%)  
33 of the Net Loan Proceeds, as herein defined.

34 For purposes of this Lease, the term "Net Loan Proceeds" shall be defined as follows:

35 "Net Loan Proceeds" means the principal amount of any refinancing, plus the original principal amounts  
36 of any other outstanding loans secured by the leasehold which are not being prepaid in the refinancing  
37 transaction, less the sum of (i) the actual cost, not to exceed Eleven Million Dollars (\$11,000,000) or such  
38 larger amount as LESSOR has agreed in writing represents the actual cost reasonably incurred, of capital  
39 improvements to the Premises, including the initial and any subsequently constructed capital improvements  
40 and including any unexpended and retained debt financing and equity capitalization; (ii) the total of all  
41 Assignment Fees and Refinance Fees paid by TENANT in connection with prior transactions, multiplied  
42 by 2; (iii) actual out-of-pocket third party closing costs, including but not limited to loan commitment fees,  
43 finance fees, brokerage fees, charges, discounts, points, commissions or rebates; and (iv) all proceeds of  
44 the refinancing that will be used to make capital improvements to the Premises.

1 For purposes of this Clause D, the term "capital improvements" shall include studies, design, planning,  
 2 governmental fees for permits and approvals, construction and other standard cost items reasonably related  
 3 thereto, the costs of which will be included in the itemized statement furnished following construction of such  
 4 improvements pursuant to Clause entitled "AS-BUILT" PLANS (RECORD DRAWINGS) and  
 5 CONSTRUCTION COSTS, but excluding any costs attributable to operation, maintenance, repair, expendable  
 6 items (rolling stock, tools, equipment and fertilizer, etc.) or items with a useful life of five (5) years or less..

7 26. LESSOR AND IRWD'S OPTION TO PURCHASE LEASEHOLD INTEREST (N)

8 During the last fifteen (15) years of the Lease term, LESSOR, or IRWD, or both may exercise the option to purchase  
 9 TENANT's leasehold estate and improvements at the Option Price, hereinafter defined, existing on the date such option  
 10 is exercised. Such option to purchase shall be exercisable by delivering to TENANT one hundred eighty (180) days  
 11 advance written notice of exercise at any time within fifteen (15) years of the expiration date of the Lease term.

12 The Option Price for purposes of this Lease is calculated on the basis of the then net present value of all net operating  
 13 income (before debt service) projected to be realized by TENANT from the date the option is exercised to the  
 14 expiration date of the Lease term. All rent paid by TENANT to LESSOR under this Lease shall be included as an  
 15 expense for the purposes of calculating said net operating income.

16 The Option Price, as defined, shall be determined by making the following assumptions:

17 (a) The net operating income shall be the same annually for the remainder of the Lease term as it is in the year of the  
 18 buy out corrected by the Consumer Price Index annually, based on the average of the prior three (3) years. The  
 19 Consumer Price Index shall be for the Los Angeles--Anaheim--Riverside (All Urban Consumers--All Items) as  
 20 promulgated by the Bureau of Labor Statistics of U.S. Department of Labor, or any replacement index thereto.

21 In the event that the Consumer Price Index is not issued or published for the period for which such adjustment is to  
 22 be computed hereunder, or in the event that the Bureau of Labor Statistics of the United States Department of Labor  
 23 should cease to publish said index figures, then any similar index published by another branch or department of the  
 24 U.S. Government selected by LESSOR shall be used and if none is so published, then another index generally  
 25 recognized as authoritative shall be substituted by LESSOR.

26 (b) The discount rate shall be the prime rate, as established for major New York banks, plus five hundred (500) basis  
 27 points at the time the option is exercised.

28 Within one hundred and eighty (180) days following the written notice to exercise this option by the provisions above,  
 LESSOR and/or IRWD shall pay the price, as so determined, to TENANT in cash, and LESSOR shall return to  
 TENANT all unexpended security deposits made under the Lease. TENANT shall deliver to LESSOR and/or IRWD  
 all unexpended security deposits received from subtenants, concessionaires, operators and licensees. LESSOR, IRWD  
 and TENANT shall execute, acknowledge and deliver such documents and instruments as shall be necessary to assign  
 to LESSOR and/or IRWD and to have LESSOR and/or IRWD assume the Lease, leasehold estate and all rights and  
 obligations of TENANT hereunder.

29 27. LESSOR'S FIRST REFUSAL RIGHT (PMF8.1 S)

30 TENANT grants to LESSOR, or IRWD, or both the exclusive right at LESSOR and/or IRWD's option to purchase  
 31 TENANT's leasehold estate under this Lease upon the same terms and conditions and at the same price as any bona  
 32 fide offer for the purchase of said leasehold estate and improvements received by TENANT from any person or entity  
 33 not affiliated with TENANT and which offer to purchase TENANT desires to accept. Upon receipt of a bona fide offer  
 34 which is acceptable to TENANT, and each time any such offer is received, TENANT shall notify LESSOR and IRWD  
 35 in writing of the full details of such offer, including price, terms, length of escrow, etc. and deliver to LESSOR and  
 36 IRWD copies of any and all title reports, plans and specifications, rent rolls, subleases and any other documentation

1 relating to TENANT's leasehold estate theretofore delivered or made available to the offeror, whereupon LESSOR  
 2 and/or IRWD shall have forty-five (45) days from receipt in which to elect to exercise LESSOR's and/or IRWD's prior  
 3 right to purchase. TENANT shall cause any such offeror to separately state the purchase price for TENANT's leasehold  
 4 estate under this Lease, in an equitable manner, if the offer includes additional leasehold estates or other real property.

5 No sale or voluntary transfer of title to said leasehold estate shall be binding on LESSOR unless and until the foregoing  
 6 requirements are fully complied with. In the event that LESSOR and/or IRWD fails to exercise their prior right to  
 7 purchase as granted herein with respect to any proposed offer, TENANT may accept such offer and thereafter assign  
 8 this Lease to the offeror pursuant to and in accordance with the terms and provisions of said offer, subject, however,  
 9 to compliance with the provisions of Clause 25 of this Lease (ASSIGNING, SUBLETTING, AND ENCUMBERING),  
 10 upon all of the terms and provisions of this Lease, including without limitation the provisions of this Clause which shall  
 11 continue in full force and effect. Any material amendment or modification to the terms of said offer shall constitute  
 12 a new offer for the purposes of this Clause.

#### 8 28. HAZARDOUS MATERIALS (PMF9.1 N)

9 TENANT shall not cause or permit any "Hazardous Material," as hereinafter defined, to be brought upon, kept, or used  
 10 in or about the Premises. Pesticides, herbicides, fertilizers and other materials commonly used in the operation of a  
 11 golf course are acceptable for use provided such use is in compliance with all laws and government regulatory agency  
 12 requirements. To determine the existence of Hazardous Material if any, on or within the Premises prior to the  
 13 occupancy of the Premises by TENANT, LESSOR shall perform a Hazardous Material Baseline Assessment. TENANT  
 14 shall not be liable for costs related to Hazardous Material with the constituents and in the quantities and locations  
 15 identified by said Baseline Assessment. If TENANT breaches the obligations stated herein, or if contamination of the  
 16 Premises by Hazardous Materials otherwise occurs for which TENANT is legally liable to LESSOR and IRWD for  
 17 damage resulting therefrom, then TENANT shall indemnify, defend, and hold LESSOR and IRWD harmless from any  
 18 and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses (including without limitation, diminution  
 19 in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of  
 20 the Premises, damages arising from any adverse impact on marketing of space in the Premises or any building or  
 21 portion of the Premises, and sums paid in settlement of claims, attorneys fees, consultant fees, and expert witness fees)  
 22 which arise during or after the lease term as a result of such contamination. This indemnification includes without  
 23 limitation, costs incurred by LESSOR and IRWD in connection with any investigation of site conditions or any cleanup  
 24 or remedial work, removal, or restoration work required by any federal, state, or legal governmental entity because of  
 25 Hazardous Material being present in the soil or ground water or under the Premises. TENANT shall promptly take  
 26 all actions at its sole cost and expense as are necessary to clean, remove, and restore the Premises to its condition prior  
 27 to the introduction of such Hazardous Material by TENANT, provided TENANT shall first have obtained LESSOR's  
 28 approval and the approval of any necessary governmental entities.

TENANT acknowledges that LESSOR and IRWD may become legally liable for the costs of complying with laws  
 relating to Hazardous Material which are not the responsibility of LESSOR or IRWD hereunder, including the  
 following: (i) Hazardous Material present in the soil or ground water on the Premises of which LESSOR or IRWD  
 have no knowledge as of the Effective Date; (ii) a change in laws, statutes, ordinances, and other governmental  
 regulations which relate to Hazardous Material which could cause any material now or hereinafter located on the  
 Premises to be deemed hazardous, whether known or unknown to LESSOR or IRWD, or a violation of any such laws;  
 (iii) Hazardous Material that migrates, flows, percolates, defuses, or in any way moves on to or under the Premises after  
 the execution and delivery of this Lease; (iv) Hazardous Material present on or under the Premises as a result of any  
 discharge, dumping, or spilling (whether accidental or otherwise) on the Premises by other lessees of the Premises or  
 their agents, employees, contractors, or invitees, or by others. LESSOR and TENANT agree that the cost of complying  
 with such laws, statutes, ordinances, or governmental regulations relating to such matters for which the LESSOR and  
 IRWD are or may become legally liable shall be paid by TENANT to LESSOR and IRWD, within ten (10) days  
 following the receipt by TENANT of a written demand from LESSOR and/or IRWD to do so. In the event LESSOR  
 and/or IRWD subsequently recover, or are reimbursed from a third party, all or any portion of the sums paid by  
 TENANT, LESSOR and/or IRWD shall reimburse TENANT to the extent of any such recovery or reimbursement.

1 As used herein the term "Hazardous Material" means any hazardous or toxic substance, material, or waste which is or  
2 shall become regulated by any governmental entity, including without limitation LESSOR and IRWD acting in their  
governmental capacity, the State of California or the United States government.

3 TENANT agrees to comply with all statutes, orders, and governmental regulations relating to said Hazardous Materials  
4 and all amendments and/or modifications thereto, whether now in effect or hereinafter enacted, for which LESSOR  
5 and/or IRWD or may become legally liable and to promptly take such remedial action or actions as may be required  
6 to place the Premises in compliance with such statutes, orders, and governmental regulations in a manner and pursuant  
7 to plans and specifications for such work approved by LESSOR's Manager, EMA/Environmental Resources Division  
8 or his/her designee. Subject to force majeure, all such remedial work required to comply with said statutes, orders,  
9 and governmental regulations in effect as of the date of this Lease shall be completed by TENANT in a good and  
workmanlike manner and in compliance with plans and specifications for such work approved by LESSOR's Manager,  
10 EMA/Environmental Resources Division or his/her designee within ninety (90) days of the date of such approval.  
TENANT further agrees to waive any and all claims, demands, liabilities, and/or obligations against and/or of LESSOR  
and IRWD arising out of or resulting from the presence of such Hazardous Material upon or within the Premises and  
hereby agrees to indemnify and hold LESSOR and IRWD harmless from any and all claims, demands, liabilities, and/or  
obligations arising out of or resulting from the presence of Hazardous Material upon or within the Premises including  
without limitation reasonable attorney's fees and costs, but excluding any such claims, demands, liabilities, and/or  
obligations to the extent based upon causes of action for damages accrued prior to the date of this Lease.

11 29. NOTICES (PMF10.1 S)

12 All notices pursuant to this Lease shall be addressed as set forth below or as either party may hereafter designate by  
13 written notice and shall be sent through the United States mail in the State of California, duly registered or certified,  
return receipt requested, with postage prepaid. If any notice is sent by registered or certified mail, as aforesaid, the  
14 same shall be deemed to have been served or delivered twenty-four (24) hours after mailing thereof as above provided.  
Notwithstanding the above, LESSOR may also provide notices to TENANT by personal delivery, facsimile transmittal  
or by regular mail and any such notice so given shall be deemed to have been given upon receipt.

16 TO: LESSOR

TO: TENANT

17 County of Orange  
18 EMA/Harbors, Beaches and Parks  
19 Program Planning/Real Estate  
300 N. Flower Street, 4th Floor  
Santa Ana, Ca. 92702

Sand Canyon LLC  
c/o DeCinces Properties  
1601 Dove Street, Suite 175  
Newport Beach, Ca. 92660

20 WITH A COPY TO:

21 Irvine Ranch Water District  
22 General Manager  
15600 Sand Canyon Avenue  
Irvine, CA 92618

1 30. ATTACHMENT TO LEASE (PMF11.1 S)

2 This Lease includes the following, which are attached hereto and made a part hereof:

- 3 I. GENERAL CONDITIONS (23 Clauses)
- 4 II. EXHIBIT A - LEGAL DESCRIPTION
- 5 III. EXHIBIT B - MAP
- 6 IV. EXHIBIT C - MAINTENANCE STANDARDS
- 7 V. EXHIBIT D - EASEMENT

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1 IN WITNESS WHEREOF, the parties have executed this Lease the day and year first above written.

2 APPROVED AS TO FORM:  
3 Laurence M. Watson  
4 Chief Assistant County Counsel

5 By Kathy Paul  
6 Dated August 15, 1995

TENANT  
Sand Canyon LLC  
-a California limited liability company

By [Signature]

7 APPROVED AS TO AUDIT & ACCOUNTING  
8 Auditor-Controller

By \_\_\_\_\_

9 By Debra L. Lakin

10 RECOMMENDED FOR APPROVAL:

11 General Services Agency  
12 Real Estate

13 By [Signature]  
14 Real Property Agent

THE FOREGOING INSTRUMENT IS A TRUE  
AND CORRECT COPY OF THE ORIGINAL  
ON FILE IN THIS OFFICE.  
ATTEST: November 8, 1996  
DARLENE J. BLOOM Clerk of the Board  
of Supervisors, County of Orange  
BY [Signature], DEPUTY

18 SIGNED AND CERTIFIED THAT A COPY OF THIS  
19 DOCUMENT HAS BEEN DELIVERED TO THE  
20 CHAIRMAN OF THE BOARD  
21 ATTEST:

22 [Signature]  
23 DARLENE J. BLOOM  
24 Clerk of the Board of Supervisors,  
25 Orange County, California

LESSOR  
COUNTY OF ORANGE  
[Signature]  
By \_\_\_\_\_  
VICE Chairman, Board of Supervisors  
Dated NOV 07 1996

I. GENERAL CONDITIONS

1. TIME (PMGE1.2 S)

Time is of the essence of this Lease. Failure to comply with any time requirement of this Lease shall constitute a material breach of this Lease.

2. SIGNS (PMGE2.2 S)

TENANT agrees not to construct, maintain, or allow any signs, banners, flags, etc., upon the Premises except as approved by Director of HBP. Unapproved signs, banners, flags, etc., may be removed by Director of HBP without prior notice to TENANT at TENANT's expense.

3. PERMITS AND LICENSES (PMGE3.2 S)

TENANT shall be required to obtain any and all approvals, permits and/or licenses which may be required in connection with the operation of the Premises as set out herein. No permit, approval, or consent given hereunder by LESSOR or IRWD, in its governmental capacity, shall affect or limit TENANT's obligations hereunder, nor shall any approvals or consents given by LESSOR, as a party to this Lease, be deemed approval as to compliance or conformance with applicable governmental codes, laws, rules, or regulations.

4. CONTROL OF HOURS, PROCEDURES, AND PRICES (PMGE4.2 S)

TENANT shall at all times maintain a written schedule delineating the operating hours and operating procedures for each business operation on or from the Premises. A schedule of prices charged for all goods and/or services supplied to the public on or from the Premises shall also be maintained.

Upon written request, TENANT shall furnish the Director of HBP a copy of said schedules and procedures. Should Director of HBP, upon review and conference with TENANT, decide any part of said schedules or procedures is not justified with regard to fairly satisfying the needs of the public, TENANT, upon written notice from Director of HBP, shall modify said schedules or procedures to the satisfaction of said Director.

Primary consideration shall be given to the public's benefit in implementing this clause. All prices charged for goods and/or services supplied to the public on or from the Premises shall be fair and reasonable, based upon the market prices charged by other competing and/or comparable businesses.

TENANT agrees to operate and manage the services and facilities offered in a competent and efficient manner at least comparable to other well managed operations of similar type.

TENANT agrees that when alternate forms of packaging are available, only items packaged in a manner most compatible with the goals of reducing litter and preserving the environment shall be sold.

TENANT shall at all times retain active, qualified, competent, and experienced personnel to supervise TENANT's operation and to represent and act for TENANT.

TENANT shall require its attendants and employees to be properly dressed, clean, courteous, efficient, and neat in appearance at all times. TENANT shall not employ any person(s) in or about the Premises who shall use offensive language or act in a loud, boisterous, or otherwise improper manner.

1 TENANT shall maintain a close check over attendants and employees to insure the maintenance of a high standard  
2 of service to the public. TENANT shall replace any employee whose conduct is detrimental to the best interests  
of the public.

3 5. LEASE ORGANIZATION (PMGE5.2 S)

4 The various headings and numbers herein, the grouping of provisions of this Lease into separate clauses and  
5 paragraphs, and the organization hereof, are for the purpose of convenience only and shall not be considered  
otherwise.

6 6. AMENDMENTS (PMGE6.2 S)

7 This Lease is the sole and only agreement between the parties regarding the subject matter hereof; other agreements,  
8 either oral or written, are void. Any changes to this Lease shall be in writing and shall be properly executed by both  
parties.

9 7. UNLAWFUL USE (PMGE7.2 S)

10 TENANT agrees no improvements shall be erected, placed upon, operated, nor maintained within the Premises, nor  
11 any business conducted or carried on therein or therefrom, in violation of the terms of this Lease, or of any  
regulation, order of law, statute, bylaw, or ordinance of a governmental agency having jurisdiction.

12 8. NONDISCRIMINATION (PMGE8.2 S)

13 TENANT agrees not to discriminate against any person or class of persons by reason of sex, age, race, color, creed,  
14 physical handicap, or national origin in employment practices and in the activities conducted pursuant to this Lease.  
TENANT shall make its accommodations and services available to the public on fair and reasonable terms.

15 9. INSPECTION (PMGE9.2 S)

16 LESSOR or its authorized representative shall have the right at all reasonable times to inspect the Premises to  
17 determine if the provisions of this Lease are being complied with.

18 10. HOLD HARMLESS (PMGE10.2 S)

19 TENANT hereby waives all claims and recourse against LESSOR including the right of contribution for loss or  
20 damage of persons or property arising from, growing out of or in any way connected with or related to this  
agreement except claims arising from the concurrent active or sole negligence of LESSOR, its officers, agents, and  
21 employees. (For purposes of this Clause 10, the term "LESSOR" shall also include IRWD.) TENANT hereby  
agrees to indemnify, hold harmless, and defend LESSOR, its officers, agents, and employees against any and all  
22 claims, loss, demands, damages, cost, expenses or liability costs arising out of the operation or maintenance of the  
property described herein, and/or TENANT's exercise of the rights under this Lease, except for liability arising out  
23 of the concurrent active or sole negligence of LESSOR, its officers, agents, or employees, including the cost of  
defense of any lawsuit arising therefrom. In the event LESSOR is named as co-defendant, TENANT shall notify  
24 LESSOR of such fact and shall represent LESSOR in such legal action unless LESSOR undertakes to represent itself  
as co-defendant in such legal action, in which event TENANT shall pay to LESSOR its litigation costs, expenses  
25 and attorney's fees. In the event judgment is entered against LESSOR and TENANT because of the concurrent  
active negligence of LESSOR and TENANT, their officers, agents, or employees, an apportionment of liability to  
26 pay such judgment shall be made by a court of competent jurisdiction. Neither party shall request a jury  
apportionment.

1 11. TAXES AND ASSESSMENTS (PMGE11.2 S)

2 This Lease may create a possessory interest which is subject to the payment of taxes levied on such interest. It is  
3 understood and agreed that all taxes and assessments (including but not limited to said possessory interest tax) which  
4 become due and payable upon the Premises or upon fixtures, equipment, or other property installed or constructed  
5 thereon, shall be the full responsibility of TENANT, and TENANT shall cause said taxes and assessments to be paid  
6 promptly before delinquent.

7 12. SUCCESSORS IN INTEREST (PMGE12.2 S)

8 Unless otherwise provided in this Lease, the terms, covenants, and conditions contained herein shall apply to and  
9 bind the heirs, successors, executors, administrators, and assigns of all the parties hereto, all of whom shall be jointly  
10 and severally liable hereunder.

11 13. PARTIAL INVALIDITY (PMGE14.2 S)

12 If any term, covenant, condition, or provision of this Lease is held by a court of competent jurisdiction to be invalid,  
13 void, or unenforceable, the remainder of the provisions hereof shall remain in full force and effect and shall in no  
14 way be affected, impaired, or invalidated thereby.

15 14. WAIVER OF RIGHTS (PMGE15.2 S)

16 The failure of LESSOR or TENANT to insist upon strict performance of any of the terms, covenants, or conditions  
17 of this Lease shall not be deemed a waiver of any right or remedy that LESSOR or TENANT may have, and shall  
18 not be deemed a waiver of the right to require strict performance of all the terms, covenants, and conditions of the  
19 Lease thereafter, nor a waiver of any remedy for the subsequent breach or default of any term, covenant, or condition  
20 of the Lease. Any waiver, in order to be effective, must be signed by the party whose right or remedy is being  
21 waived.

22 15. DEFAULT IN TERMS OF THE LEASE BY TENANT (PMGE16.2 S)

23 The occurrence of any one or more of the following events shall constitute a default hereunder by TENANT:

24 (a) The abandonment or vacation of the Premises by TENANT.

25 (b) The failure by TENANT to make any payment of rent or any other sum payable hereunder by TENANT,  
26 as and when due, where such failure shall continue for a period of three (3) days after written notice thereof  
27 from LESSOR to TENANT; provided, however, that any such notice shall be in lieu of, and not in addition to,  
28 any notice required under California Code of Civil Procedure Section 1161 et seq.

(c) The failure or inability by TENANT to observe or perform any of the provisions of this Lease to be  
observed or performed by TENANT, other than specified in (a) or (b) above, where such failure shall continue  
for a period of ten (10) days after written notice thereof from LESSOR to TENANT; provided, however, that  
any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil  
Procedure Section 1161 et seq.; provided, further, that if the nature of such failure is such that it can be cured  
by TENANT but that more than ten (10) days are reasonably required for its cure (for any reason other than  
financial inability), then TENANT shall not be deemed to be in default if TENANT shall commence such cure  
within said ten (10) days, and thereafter diligently prosecutes such cure to completion.

(d) (i) The making by TENANT of any general assignment for the benefit of creditors; (ii) a case is  
commenced by or against TENANT under Chapters 7, 11 or 13 of the Bankruptcy Code, Title 11 of the United  
States Code as now in force or hereafter amended and if so commenced against TENANT, the same is not

1 dismissed within sixty (60) days; (iii) the appointment of a trustee or receiver to take possession of substantially  
 2 all of TENANT's assets located at the Premises or of TENANT's interest in this Lease, where such seizure is  
 3 not discharged within thirty (30) days; or (iv) TENANT's convening of a meeting of its creditors or any class  
 4 thereof for the purpose of effecting a moratorium upon or composition of its debts. In the event of any such  
 5 default, neither this Lease nor any interests of TENANT in and to the Premises shall become an asset in any  
 6 of such proceedings and, in any such event and in addition to any and all rights or remedies of the LESSOR  
 7 hereunder or by law, provided, it shall be lawful for the LESSOR to do so, LESSOR may declare the term  
 8 hereof ended and re-enter the Premises and take possession thereof and remove all persons therefrom, and  
 9 TENANT and its creditors (other than LESSOR) shall have no further claim thereon or hereunder.

10 In the event of any default by TENANT, then, in addition to any other remedies available to LESSOR at law  
 11 or in equity, LESSOR may exercise the following remedies:

12 (A) LESSOR may terminate this Lease and all rights of TENANT hereunder by giving written notice of such  
 13 termination to TENANT. In the event that LESSOR shall so elect to terminate this Lease, then LESSOR may  
 14 recover from TENANT:

15 (i) The worth at the time of award of the unpaid rent and other charges, which had been earned as of the  
 16 date of the termination hereof;

17 (ii) The worth at the time of award of the amount by which the unpaid rent and other charges which  
 18 would have been earned after the date of the termination hereof until the time of award exceeds the amount  
 19 of such rental loss that TENANT proves could have been reasonably avoided;

20 (iii) The worth at the time of award of the amount by which the unpaid rent and other charges for the  
 21 balance of the term hereof after the time of award exceeds the amount of such rental loss that TENANT  
 22 proves could be reasonably avoided;

23 (iv) Any other amount necessary to compensate LESSOR and IRWD for all the detriment proximately  
 24 caused by TENANT's failure to perform its obligations under this Lease or which in the ordinary course  
 25 of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession  
 26 of the Premises, expenses of reletting, including necessary repair, renovation and alteration of the Premises,  
 27 reasonable attorneys' fees, expert witness costs, and any other reasonable costs; and

28 (v) Any other amount which LESSOR may by law hereafter be permitted to recover from TENANT to  
 compensate LESSOR for the detriment caused by TENANT's default.

The term "rent" as used herein shall be deemed to be and to mean the annual rent and all other sums  
 required to be paid by TENANT pursuant to the terms of this Lease. All such sums, other than the annual  
 rent, shall be computed on the basis of the average monthly amount thereof accruing during the 24-month  
 period immediately prior to default, except that if it becomes necessary to compute such rental before such  
 24-month period has occurred, then such sums shall be computed on the basis of the average monthly  
 amount during such shorter period. As used in subparagraphs (i) and (ii) above, the "worth at the time of  
 award" shall be computed by allowing interest at the maximum rate permitted by law. As used in  
 subparagraph (iii) above, the "worth at the time of award" shall be computed by discounting such amount  
 at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent  
 (1%), but not in excess of ten percent (10%) per annum.

(B) Continue this Lease in effect without terminating TENANT's right to possession even though TENANT  
 has breached this Lease and abandoned the Premises and to enforce all of LESSOR's rights and remedies under  
 this Lease, at law or in equity, including the right to recover the rent as it becomes due under this Lease;  
 provided, however, that LESSOR may at any time thereafter elect to terminate this Lease for such previous

1 breach by notifying TENANT in writing that TENANT's right to possession of the Premises has been  
2 terminated.

3 (C) Nothing in this Section shall be deemed to affect TENANT's indemnity of LESSOR and IRWD liability  
4 or liabilities based upon occurrences prior to the termination of this Lease for personal injuries or property  
5 damage under the indemnification clause or clauses contained in this Lease.

6 No delay or omission of LESSOR to exercise any right or remedy shall be construed as a waiver of such right or  
7 remedy or any default by TENANT hereunder. The acceptance by LESSOR of rent or any other sums hereunder  
8 shall not be (i) a waiver of any preceding breach or default by TENANT of any provision thereof, other than the  
9 failure of TENANT to pay the particular rent or sum accepted, regardless of LESSOR's knowledge of such preceding  
10 breach or default at the time of acceptance of such rent or sum, or (ii) waiver of LESSOR's right to exercise any  
11 remedy available to LESSOR by virtue of such breach or default. No act or thing done by LESSOR or LESSOR's  
12 agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement  
13 to accept a surrender shall be valid unless in writing and signed by LESSOR.

14 Any installment or rent due under this Lease or any other sums not paid to LESSOR when due (other than interest)  
15 shall bear interest at the maximum rate allowed by law from the date such payment is due until paid, provided,  
16 however, that the payment of such interest shall not excuse or cure the default.

17 All covenants and agreements to be performed by TENANT under any of the terms of this Lease shall be performed  
18 by TENANT at TENANT's sole cost and expenses and without any abatement of rent. If TENANT shall fail to pay  
19 any sum of money, other than rent required to be paid by it hereunder or shall fail to perform any other act on its  
20 part to be performed hereunder, or to provide any insurance or evidence of insurance to be provided by TENANT,  
21 then in addition to any other remedies provided herein, LESSOR may, but shall not be obligated to do so, and  
22 without waiving or releasing TENANT from any obligations of TENANT, make any such payment or perform any  
23 such act on TENANT's part to be made or performed as provided in this Lease or to provide such insurance. Any  
24 payment or performance of any act or the provision of any such insurance by LESSOR on TENANT's behalf shall  
25 not give rise to any responsibility of LESSOR to continue making the same or similar payments or performing the  
26 same or similar acts. All costs, expenses, and other sums incurred or paid by LESSOR in connection therewith,  
27 together with interest at the maximum rate permitted by law from the date incurred or paid by LESSOR shall be  
28 deemed to be additional rent hereunder and shall be paid by TENANT with and at the same time as the next  
monthly installment of rent hereunder, and any default therein shall constitute a breach of the covenants and  
conditions of this Lease.

#### 16. RESERVATIONS TO LESSOR (PMGE18.2 S)

19 The Premises are accepted as is and where is by TENANT subject to any and all existing easements and  
20 Encumbrances. LESSOR reserves the right to install, lay, construct, maintain, repair, and operate such sanitary  
21 sewers, drains, storm water sewers, pipelines, manholes, and connections; water, oil, and gas pipelines; telephone  
22 and telegraph power lines; and the appliances and appurtenances necessary or convenient in connection therewith,  
23 in, over, upon, through, across, and along the Premises or any part thereof, and to enter the Premises for any and  
24 all such purposes. LESSOR also reserves the exclusive right to grant franchises, easements, rights of way, and  
25 permits in, over, upon, through, across, and along any and all portions of the Premises. No right reserved by  
26 LESSOR in this clause shall be so exercised as to interfere unreasonably with TENANT's operations hereunder or  
27 to impair the security of any secured creditor of TENANT except as provided in Clause 3 (LIMITATION OF  
28 LEASEHOLD) of this Lease. (For purposes of this provision the term "LESSOR" shall also include IRWD, with  
respect to that portion of the demised premises owned by IRWD.)

LESSOR agrees that rights granted to third parties by reason of this clause shall contain provisions that the surface  
of the land shall be restored as nearly as practicable to its original condition upon the completion of any  
construction. LESSOR further agrees that should the exercise of these rights temporarily interfere with the use of

1 any or all of the Premises by TENANT, as defined in Clause 7 (CIRCUMSTANCES WHICH EXCUSE  
2 PERFORMANCE) of the Lease, the rental shall be reduced in proportion to the interference with TENANT's use  
3 of the Premises.

3 17. HOLDING OVER (PMGE19.2 S)

4 In the event TENANT shall continue in possession of the Premises after the term of this Lease, such possession shall  
5 not be considered a renewal of this Lease but a tenancy from month to month and shall be governed by the  
6 conditions and covenants contained in this Lease.

6 18. DISPOSITION OF ABANDONED PERSONAL PROPERTY (PMGE21.2 S)

7 If TENANT abandons or quits the Premises or is dispossessed thereof by process of law or otherwise, title to any  
8 personal property belonging to and left on the Premises fifteen (15) days after such event shall, at LESSOR's option,  
9 be deemed to have been transferred to LESSOR. LESSOR shall have the right to remove and to dispose of such  
10 property without liability therefor to TENANT or to any person claiming under TENANT, and shall have no need  
11 to account therefor.

10 19. QUITCLAIM OF TENANT'S INTEREST UPON TERMINATION (PMGE22.2 S)

11 Upon termination of this Lease for any reason, including but not limited to termination because of default by  
12 TENANT, TENANT shall execute, acknowledge, and deliver to LESSOR and IRWD, within thirty (30) days after  
13 receipt of written demand therefor, a good and sufficient deed whereby all right, title, and interest of TENANT in  
14 the Premises, with regard to the respective interest of LESSOR and IRWD, is quitclaimed to LESSOR and IRWD,  
15 respectively. Should TENANT fail or refuse to deliver the required deed to LESSOR and IRWD, LESSOR may  
16 prepare and record a notice reciting the failure of TENANT to execute, acknowledge, and deliver such deed and said  
17 notice shall be conclusive evidence of the termination of this Lease and of all rights of TENANT or those claiming  
18 under TENANT in and to the Premises.

15 20. LESSOR'S RIGHT TO RE-ENTER (PMGE23.2 S)

16 TENANT agrees to yield and peaceably deliver possession of the Premises to LESSOR on the date of termination  
17 of this Lease, whatsoever the reason for such termination.

18 Upon giving written notice of termination to TENANT, LESSOR shall have the right to re-enter and take possession  
19 of the Premises on the date such termination becomes effective without further notice of any kind and without  
20 institution of summary or regular legal proceedings. Termination of the Lease and re-entry of the Premises by  
21 LESSOR shall in no way alter or diminish any obligation of TENANT under the lease terms and shall not constitute  
22 an acceptance or surrender.

21 TENANT waives any and all right of redemption under any existing or future law or statute in the event of eviction  
22 from or dispossession of the Premises for any lawful reason or in the event LESSOR re-enters and takes possession  
23 of the Premises in a lawful manner.

23 21. AUTHORITY OF TENANT (PMGE 24.2 S)

24 If TENANT is a corporation, each individual executing this Lease on behalf of said corporation represents and  
25 warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation, in accordance  
26 with the by-laws of said corporation, and that this Lease is binding upon said corporation.

22. PUBLIC RECORDS (PMGE25.2 S)

Any and all written information submitted to and/or obtained by LESSOR from TENANT or any other person or entity having to do with or related to this Lease and/or the Premises, either pursuant to this Lease or otherwise, at the option of LESSOR, may be treated as a public record open to inspection by the public pursuant to the California Records Act (Government Code Section 6250, et seq.) as now in force or hereafter amended, or any Act in substitution thereof, or otherwise made available to the public and TENANT hereby waives, for itself, its agents, employees, subtenants, and any person claiming by, through or under TENANT, any right or claim that any such information is not a public record or that the same is a trade secret or confidential information and hereby agrees to indemnify and hold LESSOR and IRWD harmless from any and all claims, demands, liabilities, and/or obligations arising out of or resulting from a claim by TENANT or any third party that such information is a trade secret, or confidential, or not subject to inspection by the public, including without limitation reasonable attorneys' fees and costs.

23. RELATIONSHIP OF PARTIES (PMGE26.2 S)

The relationship of the parties hereto is that of LESSOR and TENANT, and it is expressly understood and agreed that LESSOR does not in any way or for any purpose become a partner of TENANT in the conduct of TENANT's business or otherwise, or a joint venturer with TENANT, and the provisions of this Lease and the agreements relating to rent payable hereunder are included solely for the purpose of providing a method by which rental payments are to be measured and ascertained.

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DRAFT

**EXHIBIT "A"**  
**LEGAL DESCRIPTION FOR COUNTY PORTION**  
**SAND CANYON GOLF COURSE**

Those portions of Blocks 101 and 125 in Irvine's Subdivision, in the City of Irvine, in the County of Orange, State of California, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Records Maps in the office of the County Recorder of said County, described as follows:

Beginning at the northeast corner of the land described in the deed to Orange County Harbors Beaches and Parks District recorded October 5, 1973 in Book 10933, Page 237 of Official Records of said County; thence southerly southeasterly and generally westerly along the boundary as described in said deed to the northeasterly boundary of Tract No. 12132 as shown on a map filed in Book 529, Pages 16 through 20, inclusive, of Miscellaneous Maps in the office of the County Recorder of said County; thence northwesterly along said northeasterly boundary to the southwesterly boundary of Ridgeline Drive described in the deed to the City of Irvine recorded May 12, 1977 in Book 12191, Page 1741 of Official Records; thence northwesterly along said northeasterly boundary to the southerly right-of-way of University Drive as described in the deed recorded June 10, 1969 in Book 8983, Page 964 of Official Records; thence easterly along said southerly right-of-way to the Point of Beginning.

As more particularly shown on Exhibit "B" attached hereto and made a part hereof.

Tom R. McGannon  
Tom R. McGannon, R.C.E. 23956  
Registration Expires: 12/31/97



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W.O. 1722-1  
Page 1 of 1  
H&A Legal No. 3917  
Prepared by: H. Foss  
Checked by: V. Edge/je

This draft Legal Description shall be finalized by LESSOR and said final version shall be substituted therefore in place of the draft

**EXHIBIT A**  
**RESERVOIR PROPERTY (NEW)**

The land described in the deed to the Irvine Ranch Water District for Sand Canyon reservoir in the City of Irvine, in the County of Orange, State of California, recorded June 29, 1967 in Book 8298, Page 6 of Official Records of said County, more particularly described as follows:

Those portions of Blocks 125 and 126 of Irvine's Subdivision, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Record Maps, in the office of the County Recorder of said County, described as follows:

Commencing at the most Westerly corner of said Block 125 as shown on a map filed in Book 87, Page 6 of Record of Surveys, records of said County; thence North 40°40'40" East 1115.70 feet along the Northwesterly line of said block to the True Point of Beginning; thence South 41°07'40" East 77.17 feet; thence South 70°07'56" East 1207.14 feet; thence South 15°05'39" West 499.22 feet; thence West 176.00 feet; thence South 28°38'52" West 615.33 feet; thence South 5°46'35" East 695.53 feet; thence South 33°06'40" East 686.47 feet; thence South 32°54'19" West 303.73 feet; thence South 1°43'06" West 1000.45 feet; thence South 18°15'28" West 1021.42 feet; thence West 395.00 feet; thence North 1°00'08" West 2000.30 feet; thence North 3°36'50" West 951.89 feet; thence North 35°13'03" West 624.26 feet; thence North 540.00 feet; thence East 110.00 feet; thence North 19°01'10" East 586.18 feet; thence North 0°53'30" West 381.87 feet to said Northwesterly line of Block 125; thence North 40°40'40" East 61.16 feet along said Northwesterly line to the True Point of Beginning.

Together with that portion of Block 126 of Irvine's Subdivision, in the City of Irvine, County of Orange, State of California, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Record Maps in the office of the County Recorder of said County, described as follows:

Beginning at a point in that certain course in the boundary of Sand Canyon Reservoir as described in a deed to the Irvine Ranch Water District recorded June 29, 1967 in Book 8298,

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Checked by: V. Edge/tj

EXCLUSION: The easement area described in EXHIBIT D (GRANT OF EASEMENT FOR GOLF BALL OVERFLIGHT AND RETRIEVAL) attached hereto is excluded from the Premises and is limited to use by the parties as set forth in the Easement (EXHIBIT D)

Page 6 of Official Records of said County, described therein as South 18°15'28" West, 1021.42 feet, said point being distant thereon South 18°15'28" West, 117.29 feet from the Northerly terminus of said course; thence, leaving said boundary South 09°02'08" East, 24.83 feet; thence South 16°48'05" West, 518.56 feet; thence North 71°44'22" West, 17.16 feet to said boundary; thence along said boundary, North 18°15'28" East 542.90 feet to the Point of Beginning.

Together with that portion of Block 126 of Irvine's Subdivision, in the City of Irvine, County of Orange, State of California, in the office of the County Recorder of said County, described as follows:

Beginning at the Northerly terminus of that certain course in the boundary of Sand Canyon Reservoir as described in a deed to the Irvine Ranch Water District recorded June 29, 1967 in Book 8298, Page 6 of Official Records of said County, described therein as "South 32°54'19" West, 303.73 feet"; thence along said boundary, South 32°54'47" West 303.73 feet and South 01°43'06" West 855.30 feet; thence leaving said boundary North 09°11'16" East, 112.38 feet; thence North 16°41'19" East, 62.66 feet; thence North 05°36'32" East 77.43 feet; thence North 01°25'36" East 377.44 feet; thence North 03°03'03" East 44.34 feet; thence North 15°49'11" East 388.55 feet; thence North 23°54'28" East 72.70 feet to the Point of Beginning.

Together with those portions of Blocks 125 and 126 of Irvine's Subdivision, in the City of Irvine, County of Orange, State of California, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Record Maps in the office of the County Recorder of said County, described as follows:

Beginning at the Southeasterly terminus of that certain course in the boundary of Sand Canyon Reservoir as described in a deed to the Irvine Ranch Water District recorded June 29, 1967 in Book 8298, Page 6 of Official Records of said County, described therein as South 33°06'40"

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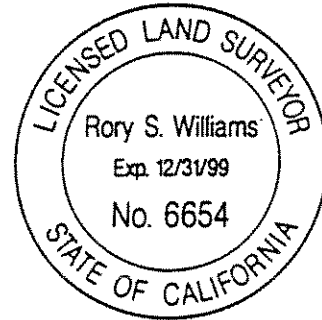
East, 686.47 feet; thence, along said boundary, North 33°06'40" West 686.47 feet and North 05°46'35" West, 579.53 feet; thence leaving said boundary, South 45°00'28" East 180.00 feet; thence South 77°00'28" East 825.00 feet; thence South 26°52'23" West 153.92 feet; thence South 74°59'32" West 170.00 feet; thence North 87°00'28" West 265.00 feet; thence South 74°59'32" West 315.00 feet; thence South 19°00'28" East 65.00 feet; thence South 72°00'28" East 488.59 feet; thence South 04°59'32" West 123.62 feet; thence South 79°52'20" West 107.75 feet; thence South 65°30'51" West 153.45 feet; thence South 28°41'28" East 69.96 feet; thence South 20°45'55" East 118.01 feet to the Point of Beginning.

And together with that portion of Block 125 of Irvine's Subdivision, in the City of Irvine, County of Orange, State of California, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Record Maps in the office of the County Recorder of said County, described as follows:

Beginning at the Southeasterly terminus of that certain course in the boundary of William Mason Park as described in a deed to the Orange County Harbors, Beaches and Parks recorded October 5, 1973 in Book 10933, Page 237 of Official Records of said County, described therein as "North 13°38'34" West, 141.33 feet"; thence along said boundary, North 13°38'34" West 61.05 feet; thence leaving said boundary, South 63°58'52" East 259.81 feet; thence South 82°58'41" East 55.06 feet; thence South 21°47'48" East 51.66 feet; thence South 29°51'08" West 53.24 feet; thence South 12°43'01" West 89.17 feet; thence South 77°16'59" East 100.20 feet; thence South 24°33'00" East 69.75 feet; thence South 02°49'31" East 158.74 feet; thence South 24°33'00" East 69.75 feet; thence South 02°49'31" East 158.74 feet; thence South 03°38'05" West 109.17 feet; thence South 30°52'34" West 131.74 feet; thence South 57°44'02" West 68.18 feet; thence South 76°19'01" West 256.52 feet; thence North 58°10'12" West 52.56 feet; thence South 38°45'19" West 137.77 feet; thence South 87°03'40" West 73.00 feet; thence South 35°02'21"

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 Prepared by: H. Foss  
 Checked by: V. Edge/tj

West 111.58 feet to the boundary of Sand Canyon Reservoir as described in a deed to the Irvine Ranch Water District recorded June 29, 1967 in Book 8298, Page 6 of said Official Records; thence along said boundary for the following courses: North 28°38'52" East 461.27 feet, East 176.00 feet, North 15°05'39" East 499.22 feet and North 70°07'56" West 275.59 feet to the Point of Beginning.



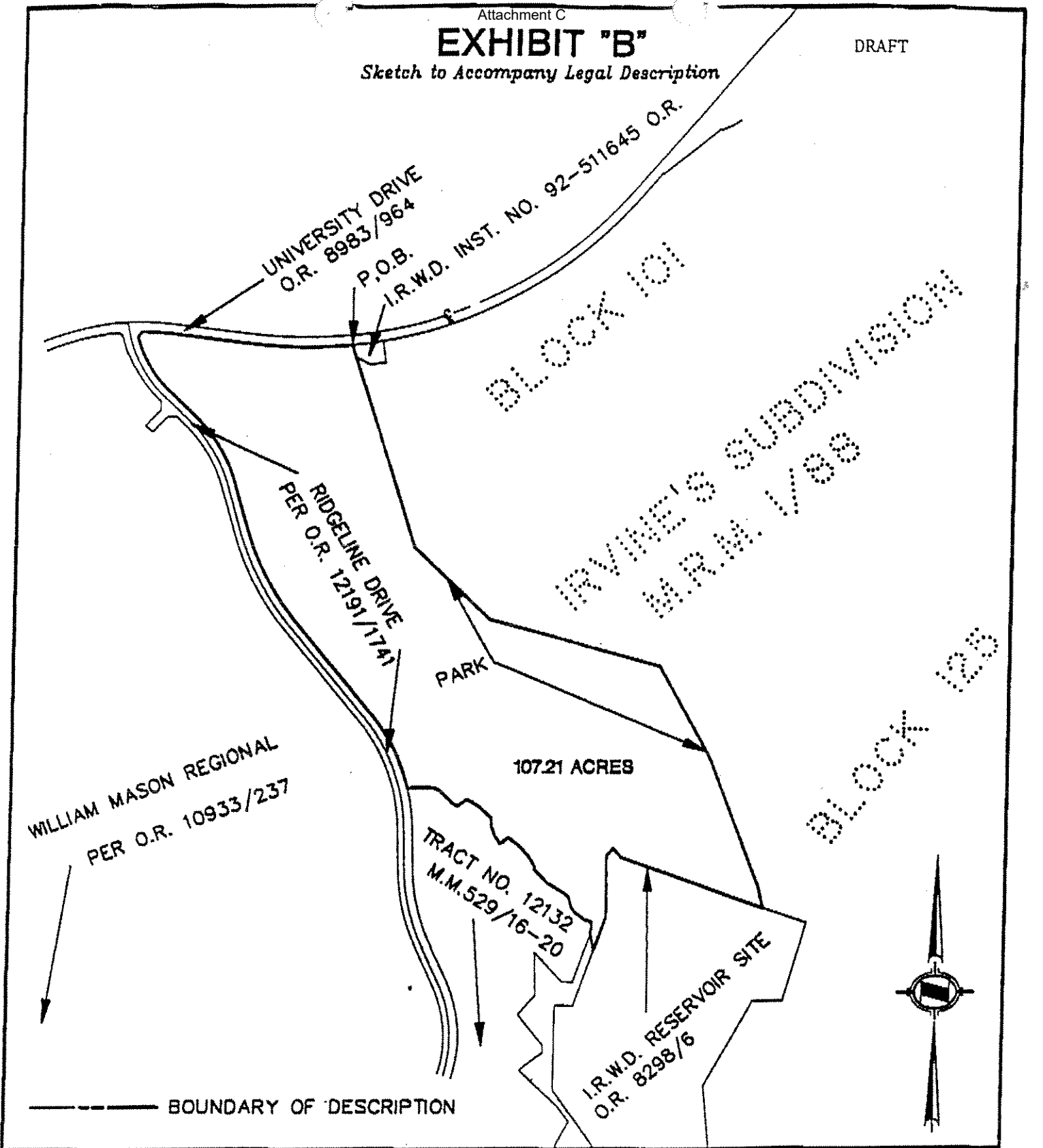
Rory S. Williams  
Rory S. Williams, L.S. No. 6654  
License Expires: December 31, 1999


July 10, 1995  
Revised: October 31, 1996  
W.O. 1722-1  
Page 4 of 4  
H&A Legal No. 3918n  
Prepared by: H. Foss  
Checked by: V. Edge/tj

# EXHIBIT "B"

Sketch to Accompany Legal Description

DRAFT



 <b>Hunsaker &amp; Associates</b> Irvine, Inc. Three Hughes, Irvine, CA 92718 • (714) 683-1010 Planning • Engineering • Surveying			<b>COUNTY PORTION</b> <b>SAND CANYON GOLF COURSE</b> IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA			
DATE: 7-10-95	REV. DATE: None	DWG. BY: H. Foss	CHK'D BY: V. Edge	SCALE: 1"=800'	W.O. 1722-1	
K:\DT\1722\1\CALC\LD\3917			LOG IN: 278-38	H&A LEGAL No. 3917	SHEET 1 OF 1	

This draft map shall be finalized by LESSOR and said final version shall be substituted therefore in place of the draft map.

41 of 56

1 PR48A-28  
2 Mason Regional Park

3 FIRST LEASE AMENDMENT

4 This FIRST LEASE AMENDMENT is made December 10, 1996, by and between the COUNTY  
5 OF ORANGE, hereinafter referred to as COUNTY and Sand Canyon LLC, a California limited  
6 liability company, hereinafter referred to as TENANT.

7 RECITALS

8 A. COUNTY is the owner of a certain 107-acre parcel of land located within Mason Regional  
9 Park in the City of Irvine.

10 B. The Irvine Ranch Water District ("IRWD") is the owner of a certain 90-acre parcel of land  
11 commonly known as the Sand Canyon Reservoir located adjacent to the COUNTY's parcel.

12 C. On August 22, 1995, COUNTY and IRWD entered into a Concession Management Agreement  
13 for the purpose of combining the two parcels to develop an 18-hole golf course and related facilities.

14 D. On August 22, 1995, COUNTY entered into an Option Agreement ("Option Agreement") with  
15 TENANT for a 45-year Lease ("Lease"), to develop and operate said 18-hole golf course and related  
16 facilities.

17 E.. The Irvine Company ("COMPANY"), owns certain land adjacent to and northerly of  
18 COUNTY's and IRWD's parcels. An existing undeveloped roadway leading to the reservoir parcel  
19 crosses COMPANY's land and is the most desirable access pathway to the proposed golf course.  
20 Additionally, COMPANY owns certain real property rights to IRWD's parcel under a certain  
21 Corporation Grant Deed dated June 29, 1967, that restrict IRWD's use of its parcel.

22 F. To transfer real property rights necessary to allow COUNTY, IRWD and TENANT to proceed  
23 with golf course development and for various consideration to benefit COMPANY and its proposed  
24 adjacent Shady Canyon residential development, COMPANY and IRWD have entered into an  
25 AGREEMENT REGARDING GOLF COURSE, dated as of October 31, 1996, hereinafter referred to  
26 as Agreement.

27 G. Said Agreement provides for various grants of easements, among which is EXHIBIT H  
28 (GRANT OF EASEMENTS), hereinafter referred to as Golf Course Access Road Easement, entered  
into among COUNTY (Grantee), IRWD (Grantee), and COMPANY (Grantor); EXHIBIT E (GRANT  
OF EASEMENTS), hereinafter referred to as Golf Course Slope Easement, entered into between  
COMPANY (Grantor) and IRWD (Grantee); EXHIBIT L (ASSIGNMENT OF EASEMENT  
RIGHTS), hereinafter referred to as Assignment of Easement Rights, entered into between  
COMPANY and IRWD; and EXHIBIT N (GRANT OF EASEMENTS), hereinafter referred to as  
Catch Basin Easement, entered into between COUNTY (Grantee) and COMPANY (Grantor).

H. Said Golf Course Access Road Easement, providing use of COMPANY land for the golf course  
access road, and said Catch Basin Easement, to impede that flow of water and runoff from

1 COMPANY land, require construction and maintenance of specified improvements. TENANT  
2 acknowledges and agrees with COUNTY and IRWD that in conjunction with golf course  
3 development and operation said construction and maintenance shall be TENANT's obligation at its  
sole cost and expense.

4 I. TENANT has exercised the Option Agreement and TENANT and COUNTY have signed and  
5 delivered the Lease.

6 J. The parties desire that the Premises leased under the Lease shall also include the following  
7 easements granted or to be granted to COUNTY and/or IRWD pursuant to the Agreement: Golf  
8 Course Slope Easement, Golf Course Access Road Easement, Assignment of Easement Rights and  
9 Catch Basin Easement, as well as certain easements to be granted to IRWD by the City of Irvine  
over parcels of land immediately west of the Sand Canyon Reservoir, subject to all terms, conditions  
and restrictions contained in the respective grant. The IRWD property included in the Premises shall  
be as modified by the Reservoir Boundary Quitclaim Deed, as that term is defined in the Agreement.

10 K. COUNTY and TENANT now desire to amend the Lease.

11 NOW, THEREFORE, in consideration of the above, the parties hereto mutually agree to amend said  
12 lease as follows:

13 1. Add to Clause 2 (PREMISES) of the Lease the following:

14 The Premises leased hereunder shall also include the following easements granted or to be  
15 granted to COUNTY and/or IRWD pursuant to the AGREEMENT REGARDING GOLF  
16 COURSE dated as of October 31, 1996, between IRWD and COMPANY (the "Agreement"):  
17 Golf Course Slope Easement, Golf Course Access Road Easement, Assignment of Rights and  
18 Catch Basin Easement, as well as the burdens and obligations arising out of the easements or  
19 benefits granted by the Irvine Company. TENANT acknowledges receiving copies of all  
20 documents pertaining to said easements. The IRWD property included in the Premises shall be  
21 as modified by the Reservoir Boundary Quitclaim Deed, as that term is defined in the  
Agreement. The Premises shall also include easements to be granted to IRWD by the City of  
Irvine over parcels immediately west of the Sand Canyon Reservoir, described as Lot A on  
Tract Map Nos. 12003, 12132, and 12133 (the "City Easements") together with the burdens and  
obligations arising under such grants.

22 2. Add to Clause 3 (LIMITATION OF THE LEASEHOLD) of the Lease the following:

23 TENANT understands, acknowledges, and agrees that the rights, duties, and privileges granted  
24 to IRWD and/or COUNTY and/or TENANT, respectively, by COMPANY pursuant to the  
25 Agreement, for use of the IRWD property and certain easements in conjunction with the  
26 development and operation of the golf course, are subject to the performance of certain  
27 obligations and conditions precedent and subsequent, and are also subject to certain other terms  
28 and restrictions (collectively the "Agreement Obligations"). TENANT agrees to accept the  
Premises subject to, and to abide by said Agreement Obligations and perform said Agreement  
Obligations intended to bind and be performed by IRWD and/or COUNTY, including, but not  
limited to, those contained in the Declaration of Special Land Use Restrictions, as that term is

1 defined in the Agreement and those set forth in the Drainage Acceptance Agreements, as that  
2 term is defined in the Agreement, and agrees that COUNTY and IRWD shall incur no liability  
3 for any damage or loss to the golf course or interference with golf course operations on account  
4 of any such agreement. TENANT further agrees to perform all terms and conditions of the  
5 City Easements.

6 3. Add to Clause 15 (INITIAL CONSTRUCTION BY TENANT) of the Lease the following:

7 TENANT agrees at its sole cost and expense to construct and maintain all slopes and  
8 improvements required by the Golf Course Access Road Easement, attached hereto as EXHIBIT  
9 1, the Catch Basin Easement, attached hereto as EXHIBIT 2, the Golf Course Slope Easement,  
10 attached hereto as EXHIBIT 3, and the Assignment of Easement Rights, attached hereto as  
11 EXHIBIT 4, and by reference made a part hereof.

12 TENANT's obligation to construct and maintain slopes shall include the slopes on property  
13 granted to IRWD pursuant to the Reservoir Boundary Quitclaim Deed, attached hereto as  
14 EXHIBIT 5. TENANT shall at all times comply with all terms, conditions, covenants, and  
15 restrictions as provided in the Golf Course Access Road Easement, the Golf Course Slope  
16 Easement, the Assignment of Easement Rights, and the Catch Basin Easement.

17 TENANT shall comply with all laws, rules, regulations and statutes including governmental  
18 agency requirements and obtain all permits and approvals required for said construction.  
19 TENANT shall at its sole cost and expense maintain and repair all improvements constructed  
20 for the purposes of the Golf Course Access Road Easement, the Golf Course Slope Easement,  
21 the Assignment of Easement Rights, and the Catch Basin Easement in a first class condition  
22 and repair as set forth in Clause 22 (MAINTENANCE OBLIGATIONS OF TENANT) of this  
23 Lease. TENANT shall remove debris from the Catch Basin as necessary to allow its proper  
24 function for purposes of impeding the flow of water from adjacent land.

25 The failure by TENANT to perform its obligations as provided in the Golf Course Access Road  
26 Easement, the Golf Course Slope Easement, the Assignment of Easement Rights, and Catch  
27 Basin Easement shall constitute a default in the terms of the Lease by TENANT, subject to all  
28 remedies provided herein.

4. All other terms and conditions of the Lease shall remain unchanged.

5. Attachments:

- Exhibit 1 Golf Course Access Road Easement
- Exhibit 2 Catch Basin Easement
- Exhibit 3 Golf Course Slope Easement
- Exhibit 4 Assignment of Easement Rights
- Exhibit 5 Reservoir Boundary Quitclaim Deed

///  
///

1 IN WITNESS WHEREOF, the parties have executed this FIRST LEASE AMENDMENT the day  
2 and year first above written.

3 APPROVED AS TO FORM:

4 Laurence M. Watson  
5 County Counsel

TENANT

Sand Canyon LLC  
a California limited liability company

6 By 

By 

7 Dated 12/3/96

By \_\_\_\_\_

11 RECOMMENDED FOR APPROVAL:

12 EMA Property Services

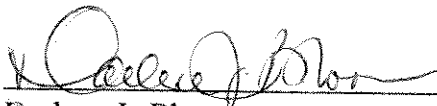
13  
14 By   
15 Real Property Agent

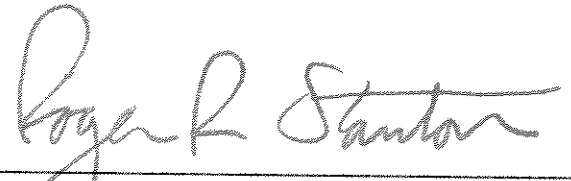
18 SIGNED AND CERTIFIED THAT A COPY  
19 OF THIS DOCUMENT HAS BEEN  
20 DELIVERED TO THE CHAIRMAN  
21 OF THE BOARD

COUNTY

COUNTY OF ORANGE

22 *ATTEST:*

23   
24 Darlene J. Bloom  
25 Clerk of the Board of Supervisors  
26 Orange County, California

By   
Chairman, Board of Supervisors

Dated 12/10/96

**SECOND AMENDMENT TO LEASE**

THIS SECOND AMENDMENT to LEASE (“**Second Amendment**”) is made on September 24, 2024, by and between COUNTY OF ORANGE, a political subdivision of the State of California (“**COUNTY**”), and STRAWBERRY FARMS GOLF CLUB, LLC, a Delaware limited liability company (“**TENANT**”), without regard to number and gender. COUNTY and TENANT may sometimes be referred to herein individually as a “**Party**,” or collectively as the “**Parties**.”

R E C I T A L S

1. COUNTY is the owner of certain 107-acre parcel of land located within Mason Regional Park in the City of Irvine.
2. The Irvine Ranch Water District (“IRWD”) is the owner of a certain 90-acre parcel of land commonly known as the Sand Canyon Reservoir located adjacent to the COUNTY’s parcel.
3. On August 22, 1995, COUNTY and IRWD entered into a Concession Management Agreement for the purpose of combining the two parcels to develop an 18-hole golf course and related facilities.
4. On August 22, 1995, COUNTY entered into an Option Agreement with TENANT for a 45-year lease (“LEASE”), to develop and operate said 18-hole golf course and related facilities.
5. On November 8, 1996, COUNTY executed the 45-year Lease (“Lease”).
6. On December 10, 1996, a First Lease Amendment (“First Amendment”) was executed to add a slope easement, access road, and catch basin easement to Clause 2 (Premises). The First Amendment also added additional easements to Clause 3 (Limitation of Leasehold) of the Lease.
7. COUNTY and TENANT now desire to amend this Lease.

NOW, THEREFORE, in consideration of the above, the parties hereto mutually agree to amend said Lease as follows:

A. Clause 5 [TERM (PMB2.1S)] is deleted from the Lease in its entirety and the following clause is substituted:

“5. TERM

The term of the lease shall be extended from forty-five (45) years for an additional twenty (20) years, which Lease commenced on December 1, 1996, and will expire on November 30, 2061.”

B. Clause 11 [RENT PAYMENT PROCEDURE (PMC 6.1 S)] subsection D is hereby added to the Lease:

“D. GIFT CERTIFICATES

At the time TENANT sells a gift certificate for any amount, TENANT shall pay a percentage rent of 5% of the gift certificate value to COUNTY. At any time, a gift certificate is redeemed with TENANT, COUNTY shall credit TENANT 5% of the gift certificate value used. This accounting transaction will be a line item on TENANT's monthly gross receipt form of which a sample monthly gross receipt form is attached as Exhibit 6, attached hereto and made a part hereof, to this Second Amendment to Lease."

C. Clause 11 [RENT PAYMENT PROCEDURE (PMC 6.1 S)] Subsection E is hereby added to the Lease:

**"E. RENT PAYMENTS TO IRWD**

TENANT shall send fifty percent (50%) of all monies payable monthly to County directly and fifty percent (50%) to IRWD directly. County will add an additional line item on the monthly gross receipt form showing total rent to be paid directly to IRWD for that specified month and year to date total."

D. Clause 24 [INSURANCE] is deleted from the Lease in its entirety and the following clause is substituted:

**"24. INSURANCE**

TENANT agrees to carry all required insurance at TENANT's expense and provide to the County current certificates of insurance, including all endorsements required herein, necessary to satisfy the County that the insurance provisions of this Lease have been complied with. TENANT shall keep such insurance coverage current, provide Certificates of Insurance, and endorsements to the County during the entire term of this Lease.

TENANT agrees that TENANT shall not operate on the Lease Area at any time the required insurance is not in full force and effect as evidenced by a Certificate of Insurance and necessary endorsements or, in the interim, an official binder being in the possession of County Executive Office/Real Estate. In no cases shall assurances by TENANT, its employees, agents, including any insurance agent, be construed as adequate evidence of insurance. County Executive Office/Real Estate will only accept valid Certificates of Insurance and endorsements, or in the interim, an insurance binder as adequate evidence of insurance. TENANT also agrees that upon cancellation, termination, or expiration of TENANT's insurance, County may take whatever steps are necessary to interrupt any operation from or on the Lease Area until such time as the County Executive Office/Real Estate reinstates the Lease.

If TENANT fails to provide County Executive Office/Real Estate with a valid Certificate of Insurance and endorsements, or binder at any time during the term of the Lease, County and TENANT agree that this shall constitute a material breach of the Lease. Whether or not a notice of default has or has not been sent to TENANT, said material breach shall permit County to take whatever steps necessary to interrupt any operation from or on the Lease Area, and to prevent any persons, including, but not limited to, members of the general public, and TENANT's employees and agents, from entering the Lease Area until such time as County Executive Office/Real Estate is provided with adequate evidence of

insurance required herein. TENANT further agrees to hold County harmless for any damages resulting from such interruption of business and possession, including, but not limited to, damages resulting from any loss of income or business resulting from the County's action.

TENANT may occupy the Lease Area only upon providing to County the required insurance stated herein and carry such insurance for the entire term of this Lease. County reserves the right to terminate this Lease at any time TENANT's insurance is canceled or terminated and not reinstated within ten (10) days of said cancellation or termination. TENANT shall pay County a fee of \$1,000 for processing the reinstatement of the Lease. TENANT shall provide to County immediate notice of said insurance cancellation or termination.

All contractors performing work on behalf of TENANT pursuant to this Lease shall obtain insurance subject to the same terms and conditions as set forth herein for TENANT. TENANT shall not allow contractors or subcontractors to work if contractors have less than the level of coverage required by the County from the TENANT under this Lease. It is the obligation of the TENANT to provide written notice of the insurance requirements to every contractor and to receive proof of insurance prior to allowing any contractor to begin work within the Lease Area. Such proof of insurance must be maintained by TENANT through the entirety of this Lease and be available for inspection by a County representative at any reasonable time.

All self-insured retentions (SIR)'s shall be clearly stated on the Certificate of Insurance. Any SIR in excess of Fifty Thousand Dollars \$50,000 shall specifically be approved by the County's Risk Manager, or designee. The County reserves the right to require current audited financial reports from TENANT. If TENANT is self-insured, TENANT's will indemnify and defend County for any and all claims resulting or arising from TENANT's use of the premises, services, or other performance in accordance with the indemnity provision stated in this Lease.

### **Qualified Insurer**

The policy or policies of insurance must be issued by an insurer with a minimum rating of A- (Secure A.M. Best's Rating) and VIII (Financial Size Category as determined by the most current edition of the **Best's Key Rating Guide/Property-Casualty/United States or ambest.com**).

If the insurance carrier does not have an A.M. Best Rating of A-/VIII, CEO/Office of Risk Management retains the right to approve or reject a carrier after a review of the company's performance and financial ratings.

The policy or policies of insurance maintained by the TENANT shall provide the minimum limits and coverage as set forth below:

<u>Coverages</u>	<u>Minimum Limits</u>
Commercial General Liability	\$5,000,000 per occurrence \$5,000,000 aggregate
Automobile Liability including coverage for owned or scheduled, non-owned, and hired vehicles	\$1,000,000 combined single limit each accident
Workers' Compensation	Statutory
Employers' Liability Insurance	\$1,000,000 per accident or disease
Liquor Liability	\$1,000,000 per occurrence
Commercial Property Insurance on an "All Risk" or "Special Causes of Loss" basis covering all, contents and any tenant improvements including Business Interruption/Loss of Rents with a 12-month limit.	100% of the Replacement Cost Value and no coinsurance provision.

**Required Coverage Forms**

The Commercial General Liability coverage shall be written on Insurance Services Office (ISO) form CG 00 01, or a substitute form providing liability coverage at least as broad.

The Business Auto Liability coverage shall be written on ISO form CA 00 01, CA 00 05, CA 00 12, CA 00 20, or a substitute form providing liability coverage at least as broad.

**Required Endorsements**

The Commercial General Liability policy shall contain the following endorsements, which shall accompany the Certificate of insurance:

- 1) An Additional Insured endorsement using ISO form CG 20 26 04 13 or a form at least as broad naming the *County of Orange, its elected and appointed officials, officers, employees, agents, and IRWD* as Additional Insureds. Blanket coverage may also be provided which will state- *As Required by Written Contract*.
- 2) A primary non-contributing endorsement using ISO form CG 20 01 04 13, or a form at least as broad, evidencing that the TENANT's insurance is primary, and any

insurance or self-insurance maintained by the County and IRWD shall be excess and non-contributing.

The Workers' Compensation policy shall contain a waiver of subrogation endorsement waiving all rights of subrogation against the *County of Orange, its elected and appointed officials, officers, employees, agents, and IRWD*. Blanket coverage may also be provided which will state- *As Required by Written Contract*.

All insurance policies required by this lease shall waive all rights of subrogation against the *County of Orange, its elected and appointed officials, officers, employees, agents, and IRWD* when acting within the scope of their appointment or employment.

The Commercial Property policy shall contain a Loss Payee endorsement naming the County of Orange and IRWD with respects to the County's or IRWD's financial interest when applicable.

TENANT shall provide thirty (30) days prior written notice of any policy cancellation or non-renewal and ten (10) days prior written notice where cancellation is due to non-payment of premium and provide a copy of the cancellation notice to County. Failure to provide written notice of cancellation may constitute a material breach of the Lease, upon which the County may suspend or terminate this Contract

The Commercial General Liability policy shall contain a severability of interests clause, also known as a "separation of insureds" clause (standard in the ISO CG 001 policy).

Insurance certificates should be forwarded to the County address provided in the Clause (NOTICES) below or to an address provided by County Executive Office/Real Estate. TENANT has ten (10) business days to provide adequate evidence of insurance, or this Lease may be cancelled.

County expressly retains the right to require TENANT to increase or decrease insurance of any of the above insurance types throughout the term of this Lease. Any increase or decrease in insurance will be as deemed by County of Orange Risk Manager as appropriate to adequately protect County.

County shall notify TENANT in writing of changes in the insurance requirements. If TENANT does not provide acceptable Certificates of Insurance and endorsements to County incorporating such changes within thirty (30) days of receipt of such notice, this Lease may be in breach without further notice to TENANT, and County shall be entitled to all legal remedies.

The procuring of such required policy or policies of insurance shall not be construed to limit TENANT's liability hereunder nor to fulfill the indemnification provisions and requirements of this Lease, nor in any way to reduce the policy coverage and limits available from the insurer. "

E. Clause 26 [LESSOR AND IRWD'S OPTION TO PURCHASE LEASEHOLD INTEREST (N)] is deleted from the Lease in its entirety.

F. Clause 29 [NOTICES (PMF 10.1 S)] is deleted from the Lease in its entirety and the following clause is substituted:

“29 NOTICES

All written notices pursuant to this Lease shall be addressed as set forth below or as either Party may hereafter designate by written notice and shall be deemed received upon personal delivery, delivery by facsimile machine, electronic mail, or seventy-two (72) hours after deposit in the United States Mail.

<p>TO: TENANT</p> <p>Strawberry Farms Golf Club Attn: General Manager 11 Strawberry Farm Road Irvine, CA 92612</p> <p><u>with a copy to:</u></p> <p>Commonwealth Business Bank 3435 Wilshire Boulevard, Suite 700 Los Angeles, CA 90010</p>	<p>TO: COUNTY</p> <p>County of Orange OC Parks Attn: Real Estate Department 13042 Old Myford Road Irvine, CA 92602</p> <p>With a copy to:</p> <p>County Executive Office 333 W. Santa Ana Boulevard, 3rd Floor Santa Ana, CA 92701 Attention: Thomas A. Miller, Chief Real Estate Officer</p> <p>Irvine Ranch Water District General Manager 15600 Sand Canyon Avenue Irvine, CA 92618</p> <p>Certificate of Insurance/Other Insurance: Certificate of Insurance or other insurance related correspondence shall be mailed or emailed as below:</p> <p>Project: PR48A-28 Location: William Mason Regional Park</p> <p>Email: <a href="mailto:insurance.ceore@ocgov.com">insurance.ceore@ocgov.com</a>”</p>
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G. Clause 30 [ATTACHMENT TO LEASE] is hereby deleted in its entirety and the following clause is substituted:

“30. ATTACHMENT TO LEASE

This Lease includes the following amended exhibits, which exhibits are attached hereto and made a part hereof.

- I. General Conditions (23 Clauses)
- II. Exhibit A – Legal Description
- III. Exhibit B – Map
- IV. Exhibit C – Maintenance Standards
- V. Exhibit D - Easement
- VI. Exhibit E - Golf Course Access Road Easement (First Amendment-Exhibit 1)
- VII. Exhibit F - Catch Basin Easement (First Amendment-Exhibit 2)
- VIII. Exhibit G - Golf Course Slope Easement (First Amendment-Exhibit 3)
- IX. Exhibit H - Assignment of Easement Rights (First Amendment-Exhibit 4)
- X. Exhibit I - Reservoir Boundary Quitclaim Deed (First Amendment-Exhibit 5)
- XI. Exhibit J – Monthly Gross Receipt Form (Sample)

H. Clause 31 [CAPITAL IMPROVEMENT PROJECTS (N)] is hereby added to the Lease:

**“31. CAPITAL IMPROVEMENT PROJECTS**

TENANT will make the following Capital Improvement Projects (“CIP”):

Location	Capital Improvement Projects	Approx. Investment
Golf Course	Repair/Rebuild Hole #10	\$1,500,000
Club House Roof	Repair Sections of Roof	\$ 65,000
Club House Kitchen	Walk-in Refrigeration	\$ 125,000
Barn Kitchen	New Equipment & Remodel	\$ 312,000
Cart Storage	Energy Saving Charging Structure	\$ 290,000
Golf Course	Golf Course Paths	\$ 2,000,000
Golf Course	Irrigation Controllers/Pipes	\$ 1,000,000
<b>Subtotal</b>		<b>\$ 5,292,000</b>

The irrigation infrastructure CIP work shall be water efficient and sustainable, consistent with applicable green building code standards, as applicable, to the maximum extent feasible, and shall include water-conserving features such as water-efficient lines, smart controllers, etc.

To ensure all CIP are completed, the following method of verification will apply.

- a. TENANT shall provide COUNTY a timeline of completion for all CIPs.

- b. After completion of all CIPs, TENANT shall provide a verification of all CIP expenses.
  - All CIP are to be completed within sixty (60) months from the effective date of the Second Amendment to Lease . TENANT shall submit all CIP invoices and proof of payment to the COUNTY.
  - Proof of payment is defined as providing a copy of the front and back of a canceled check.
  - TENANT shall break down CIP by each project.
- c. Should TENANT fail to complete all CIPs noted above within the 60-month timeframe, TENANT will be in default of the Lease and County may rescind the 20-year extension and revert the Lease expiration date to November 30, 2041, as stated in the Lease dated November 8, 1996.
- d. If TENANT decides to procure a loan or loans to finance CIPs, and if TENANT does not complete all CIPs within the sixty (60) month period to the satisfaction of Director of OC Parks, then COUNTY reserves the right to analyze all CIP expenses as stated above and calculate a Refinance Fee of Net Loan Proceeds as per the Lease.”

I. Clause 32 [CHANGE IN PERCENTAGE RENTS (N)] is hereby added to the Lease:

“32. CHANGE IN PERCENTAGE RENTS

Beginning January 1, 2040, and no later than June 1, 2040, the COUNTY shall perform, or cause to be performed, an appraisal to determine the fair market percentage rents for green fees, driving range, cart rental and food/beverage sales. Any appraisal service must be performed by a designated Member, Appraisal Institute (“MAI”) appraiser, specializing in golf course valuations and event space/wedding reception/banquet uses. TENANT agrees to reimburse COUNTY fifty percent (50%) of the cost of each appraisal upon demand by COUNTY.

Based on the appraiser’s final value for percentage rents, and the current percentage rents shown in Table 1 above, which will serve as minimum rent values, TENANT and COUNTY will negotiate in good faith to revise percentage rents based on the findings of the appraisal to go into effect on January 1, 2042.”

J. Clause 33 [CONTROL OF NON-NATIVE, INVASIVE PLANTS (N)] is hereby added to the Lease:

“33. CONTROL OF NON-NATIVE, INVASIVE PLANTS

Tenant shall routinely conduct control of non-native, invasive plant species throughout the agreement area. In particular, Tenant shall focus control efforts on target species identified by the Natural Communities Coalition and Priority 1 and 2. OC Parks staff will provide Tenant with the annually updated target species list and contractor guidance on target species.”

**K. Wherever a conflict in the terms or conditions of this Second Amendment, the First Amendment or the Lease exists, the terms or conditions in the Second Amendment shall prevail. In all other respects, the terms and conditions of the Lease and First Amendment, not specifically changed by this Second Amendment, shall remain in full force and effect.**

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IN WITNESS WHEREOF, the Parties have executed this Second Amendment to Lease the day and year first above written.


<p>APPROVED AS TO FORM Office of the County Counsel County of Orange, California</p> <p>By: <u><i>Jamie Kraus</i></u> Deputy</p> <p>Date: <u>8/24/24</u></p>	<p>TENANT Strawberry Farms Golf Club, LLC A A Delaware limited liability company</p> <p>By: <u><i>[Signature]</i></u> Phillip Lee, CEO of Strawberry Farms Golf Club, Inc., its Manager</p> <p>By: <u><i>[Signature]</i></u> Phillip Lee, CFO of Strawberry Farms Golf Club, Inc., its Manager</p>
<p>Signed and certified that a copy of this document has been delivered to the chairman of the Board per GC § 25103, Reso. 79-1535.</p> <p>ATTEST:</p> <p><u><i>Robin Stieler</i></u> </p> <p>Robin Stieler Clerk of the Board of Supervisors County of Orange, California</p>	<p><b>COUNTY</b> COUNTY OF ORANGE</p> <p>By: <u><i>[Signature]</i></u></p> <p>Chairman of the Board of Supervisors County of Orange</p>

Exhibit J  
Monthly Gross Receipt Form (Sample)

<b>STRAWBERRY FARMS GOLF COURSE</b>				
<b>Monthly Gross Receipts Form</b>				
For the Month of: <span style="border: 1px solid black; padding: 2px 20px;"> </span>				
<small>(month, year)</small>				
PERCENTAGE RENT	Gross Receipts	Total Year-To-Date	County's Percentage	Year-To-Date Percentage Rent
<b>Business Operations</b>	<b>This Month</b>			
GREEN FEES	0.00	0.00	25.00%	\$ -
DRIVING RANGE	0.00	0.00	25.00%	\$ -
GOLF CART	0.00	0.00	25.00%	\$ -
FOOD AND BEVERAGE SALE	0.00	0.00	7.50%	\$ -
PRO SHOP	0.00	0.00	5.00%	\$ -
PRO SHOP: GIFT CERTIFICATE SALES	100.00	100.00	5.00%	\$ 5.00
PRO SHOP: GIFT CERTIFICATE REDEEMED	(100.00)	(100.00)	5.00%	\$ (5.00)
PRO SHOP: MISCELLANEOUS OTHER SITE FEES	0.00	0.00	5.00%	\$ -
PRO SHOP: MEMBERSHIP FEES	0.00	0.00	5.00%	\$ -
PAY TELEPHONES/NEWS BACKS	0.00	0.00	10.00%	\$ -
CHARITY GOLF TOURNAMENTS/BANQUETS	0.00	0.00	0.00%	\$ -
HENRY BRUNTON GOLF ACADEMY: HBGA GOLF LESSONS	0.00	0.00	5.0%	\$ -
HBGA MERCHANDISE SALES	0.00	0.00	5.0%	\$ -
RED BARN OFFICE RENT	0.00	0.00	20.0%	\$ -
<b>TOTALS</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>
<small>As Defined in Real Classes of Lease, Approved/Authorized by Lessee.</small>				
<b>Less: Rent Payments Submitted Year-To-Date (excluding penalties)</b>				<b>\$ -</b>
<b>Current Month's Percentage Rent:</b>				<b>(a) \$ -</b>
<b>MINIMUM RENT:</b>				
Annual Minimum Rent is \$0 or \$0.00 per calendar month.				
Multiply \$0.00 by 12 (number of months completed to date):				
<b>Less: Rent Payments Submitted Year-To-Date (excluding penalties)</b>				<b>0.00</b>
<b>Current Month Minimum Rent:</b>				<b>(b) 0.00</b>
<b>TOTAL AMOUNT OF RENT DUE:</b>				<b>\$ -</b>
<small>(Larger of Current Month's Percentage (a) or Current Month's Minimum (b))</small>				
<b>50% DUE TO THE COUNTY</b>				<b>\$ -</b>
<b>Roads of Golf:</b>				
<b>UNDER PENALTY OF PERJURY I CERTIFY THAT THE INFORMATION PREPARED ABOVE IS CORRECT.</b>				
Approved By: _____		Signature: _____		Date: _____
Prepared by: _____				
<b>Deliver Check &amp; Report to:</b>		Orange County Treasurer-Tax Collector Revenue Recovery/Accounts Receivable Unit P.O. Box 4005 Santa Ana, CA 92702-4005		
<small>For County use only:</small>		<small>OCCTRA/AA/Account/Co./fill</small>		<small>Page 1031/13</small>