

GROUND SUBLEASE
CAL POLY CORPORATION

Bella Montaña

Condominium Unit No. __ Building __
_____ Paseo Bella Montana

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EXHIBIT LIST

Exhibit A	Legal Description of Homeowner's Sublease Parcel
Exhibit B	Basic Rent
Exhibit C	Eligibility and Priority System and Offering Procedures
Exhibit D	Approved Capital Improvements
Exhibit E	Repurchase Option Events
Exhibit F	Homeowner Reimbursement Agreement
Exhibit G	Deed of Trust with Assignment of Rents

Exhibit H Addresses for Delivery of Notices
Exhibit I Memorandum of Sublease, Grant Deed to Improvements and Declaration of
Easements

Unit No.: ___ Paseo Bella Montana
Project: Bella Montaña

GROUND SUBLEASE SUMMARY¹

- A. Sublease Tenant:** _____ (“Homeowner”).
- B. Landlord:** Cal Poly Corporation (“Corporation”).
- C. Condominium Unit:** Unit No. ___ in Building ___ shown on the Condominium Plan recorded on November 7, 2006, as Instrument No. 2006079587, of Official Records of San Luis Obispo County, commonly known as: _____ Paseo Bella Montana, San Luis Obispo, California.
- D. Term of Sublease (Section 3):**
Commencement Date: _____, 20__.
Expiration Date: April 3, 2104, at midnight. (“Term”)
- E. Rent Payments (Section 4):**
- 1. Basic Rent:** \$_____ per month.
 - 2. Adjustments to Basic Rent:** To be determined 5 years from commencement date, and every 5 years thereafter, based on fair market value of the Homeowner’s Sublease Parcel.
- F. Ownership of Condominium (Section 5):** Homeowner owns the Condominium during the term of the Ground Sublease.
- G. Use of Condominium (Section 6):** Homeowner shall use the Condominium as Homeowner’s principal place of residence, and shall not lease the Condominium to others (with certain limited exceptions).
- H. Taxes (Section 7):** Property taxes on both the Condominium and Homeowner’s possessory interest in the Homeowner’s Sublease Parcel shall be payable by Homeowner.
- I. Insurance (Section 8):** Homeowner shall maintain fire and casualty insurance for their Unit and Exclusive Use Areas in accordance with the Declaration. Purchase of personal property (contents) and personal liability insurance should also be considered by

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

Homeowner, though not required. The Association shall maintain public liability insurance, fire and casualty insurance, and other insurance in accordance with the Declaration.

- J. Maintenance (Section 10):** The Association is responsible for the maintenance of (a) the Common Area, which includes the exterior surface, structure, roof and shared stairways, entries and hallways of the buildings containing the Unit, (b) all Improvements in the Community Common Area, and (c) portions of the Exclusive Use Areas, all as described in the Declaration. Homeowner is responsible for the maintenance of the areas inside the Unit and the Exclusive Use Areas appurtenant to the Homeowner's Condominium, as described in the Declaration. The relative maintenance responsibilities of the Association and the Homeowners are established in the Declaration.
- K. Improvements (Section 14):** Proposed improvements to the Unit or Exclusive Use Areas must be submitted to Corporation for its approval.
- L. Sale of Condominium (Section 15):** Corporation has the right of first refusal to repurchase the Condominium for a sixty-day period upon notice from Homeowner that the Condominium is for sale. If Corporation does not acquire the Condominium, Homeowner may sell the Condominium to other Qualified Buyers on the Corporation's priority list. Upon resale, the Condominium will remain affordable to the next buyer through resale price controls.

The Maximum Resale Price will be capped at the higher of (per Section 15) the sum of:

- (i) The original Purchase Price of the Condominium, increased by an index based on the Consumer Price Index, plus
- (ii) The appraised value of Approved Capital Improvements made by Homeowner after sale (up to 15% of the indexed Purchase Price of the Condominium), plus
- (iii) Presale fix-up expenses (up to 5% of the indexed Purchase Price of the Condominium)

OR as modified per Exhibit J- Modification of Sublease Provisions.

- M. Corporation Option to Acquire Condominium (Section 16):** Corporation has an option to reacquire the Condominium in certain events, such as:
 - (i) Homeowner is no longer employed by Cal Poly, a Cal Poly auxiliary, or the employer whose status allowed Homeowner to be a Qualified Buyer.
 - (ii) Homeowner is no longer using the Condominium as Homeowner's Principal Residence.

- (iii) Homeowner dies.
- (iv) Homeowner has less than a one-half ownership of the Condominium.
- (v) Occupancy rights to the Condominium are awarded to an ineligible former spouse or other co-owner of the Condominium.
- (vi) Homeowner retires.
- (vii) If Homeowner is not a fulltime employee of Cal Poly or one of its auxiliaries, upon the 5th anniversary of the initial purchase of the Condominium.
- (vii) Ownership of a certain period by a Homeowner who is a member of the “Back-up” Market.

IMPORTANT NOTICE: The price for the resale of the Condominium is restricted by this Sublease and will probably be substantially less than the price which would be paid for a similar home in the San Luis Obispo area without the restrictions imposed by this Sublease. If your objective in purchasing a Condominium in this Project is capital gain, the Corporation strongly recommends that you consider acquiring a home in a location outside of the Project instead.

GROUND SUBLEASE

THIS GROUND SUBLEASE (“Sublease”) is made and entered into as of the Commencement Date as shown on the Ground Sublease Summary, by and between Cal Poly Corporation (“Corporation”) and Homeowner, as named in the Ground Lease Summary, with reference to the following facts:

A. The Trustees of the California State University (the “Trustees”) are the owners of certain real property located in the County of San Luis Obispo, State of California, which is a part of the campus of California Polytechnic State University, San Luis Obispo (“Cal Poly”), and described as:

ALL THAT CERTAIN PARCEL OF LAND AS SET FORTH ON MAP OF RESIDENTIAL UNIT PLAN NO.1 IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA, AS RECORDED IN BOOK 1 OF MISCELLANEOUS MAPS PAGE(S) 60-61 INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

B. Cal Poly Housing Corporation (“Housing Corporation”) duly recorded a condominium plan on November 7, 2006, as Instrument No. 2006079587, of Official Records of San Luis Obispo County, California (“Condominium Plan”), and the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Bella Montaña, on November 7, 2006, as Instrument No. 2006079588, of Official Records of San Luis Obispo County, California (“Declaration”), which will be used to establish a residential condominium project known as Bella Montaña.

C. The assets and liabilities of the Cal Poly Housing Corporation were assigned and transferred to the Cal Poly Corporation as of February 10, 2012, and the Cal Poly Housing Corporation is dissolved. The acts, contracts, rights and liabilities of the Housing Corporation hereby reside with the Cal Poly Corporation. The Cal Poly Housing Corporation (“Housing Corporation”) was an official California State University auxiliary organization created in part to implement a faculty and staff housing Program (as defined below) at Cal Poly. The primary objective of the Program is to support the recruitment and retention of quality faculty and staff and sustain the academic quality of the institution. The Cal Poly Corporation is an official California State University auxiliary organization created to provide support Cal Poly.

D. In connection with the implementation of the Program, the Trustees leased to Corporation the real property described in paragraph A above pursuant to a Ground Lease (defined below).

E. The Ground Lease authorizes the successor of the Housing Corporation, and now the Corporation, to sublease to Homeowner the Sublease Parcel (as defined below), and to sell the Condominiums (as defined below) constructed thereon to eligible persons in accordance with the Program.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties to this Sublease hereby agree as follows:

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

1.1 “Additional Rent” shall mean all amounts due from Homeowner hereunder other than Basic Rent.

1.2 “Approved Capital Improvements” shall mean those Improvements (as defined below) made by Homeowner to the Unit or Exclusive Use Areas after the closing of the purchase of the Condominium by Homeowner, which Improvements add to the value of the Condominium by enlargement and/or quality upgrade, are cumulatively valued at not less than \$1,000, and remain with the Condominium upon resale. Such Improvements may not exceed the limitations set forth in Section 15.4.3 below. Improvements made for the purposes of maintenance, repair or replacement, decoration, or special homeowner needs or preferences and Improvements paid for with the proceeds of insurance, condemnation awards or recoveries of damages shall not be Approved Capital Improvements. The general categories of Improvements that qualify as Approved Capital Improvements are subject to Corporation’s written approval. A list of Improvements that have been pre-approved by Corporation as Approved Capital Improvements is attached hereto as Exhibit D. Capital Improvements proposed by the Homeowner that are not on the list of Approved Capital Improvements must be approved in writing by the Corporation. Corporation shall have the right to modify prospectively the list of Approved Capital Improvements at any time and from time to time. A current list of Approved Capital Improvements and the procedures for requesting the addition of categories of Improvements to such list (also included in the Community Guidelines) shall be maintained and made available for review by Homeowner in the office of Corporation located at the address specified in Exhibit H or such other office as Corporation may from time to time designate.

1.3 “Basic Rent” shall have the meaning given in Section 4.1.

1.4 “Bylaws” means the Bylaws of the Condominium Association, as the same may be amended from time to time.

1.5 “Cal Poly” shall mean California Polytechnic State University, San Luis Obispo.

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

1.7 “Commencement Date” shall mean the date shown on the Ground Sublease Summary.

1.8 “Common Area” shall mean the Common Area described in the Condominium Plan. The Common Area shall be held by the Homeowners as tenants-in-

common. Any reference to Common Area is a reference to the Common Area as a whole and to portions thereof.

1.9 “Community Common Area” shall mean the portion of the Project identified as Community Common Area on the Condominium Plan.

1.10 “Community Guidelines” shall mean the Community Guidelines adopted by the Condominium Association pursuant to the Declaration, as the same may be modified, amended or replaced from time to time by the Condominium Association.

1.11 “Condominium” means an estate in real property as defined in California Civil Code Section 1351(f). A Condominium consists of an undivided interest in the Common Area together with a separate ownership interest in a Unit.

1.12 “Condominium Association” means the “Association,” as defined in the Declaration.

1.13 “Condominium Plan” means the condominium plan recorded on November 7, 2006, as Instrument No. 2006079587, of Official Records of San Luis Obispo County, California.

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

1.15 “Declaration” means the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Bella Montaña, recorded on November 7, 2006, as Instrument No. 2006079588, of Official Records of San Luis Obispo County, California, as such Declaration may be amended from time to time.

1.16 “Designee” shall mean a person designated in writing by Corporation as having the right and obligation to exercise and carry out such powers, duties and obligations of Corporation under the Ground Lease and, in turn, this Sublease.

1.1.1 “Design Guidelines” shall mean the rules or guidelines setting forth procedures and standards for submission of plans for Association’s Design Review Committee approval. Modifications to the Design Guidelines must be approved in writing by Sublessor.

1.17 “Escrow Holder” shall be the escrow company through which Homeowner is coordinating the Homeowner’s purchase of the Condominium, and the execution of this Sublease, under separate escrow instructions.

1.18 “Exclusive Use Area” means the portions of either the Common Area or the Community Common Area over which exclusive easements are reserved for the benefit of specified Homeowners, including for patio and storage purposes designed to serve a single Unit,

but located outside the boundaries of such Unit, in accordance with California Civil Code Section 1351(i), as specified in the Declaration and the Condominium Plan.

1.19 “Expiration Date” shall mean the Expiration Date designated in the Ground Sublease Summary at the beginning of this Sublease.

1.20 “Foreclosure Transferee” means any Lender or third-party purchaser that is not a Person who intends to occupy a Condominium as his or her Principal Residence, and that acquires the Condominium by foreclosure sale or deed in lieu of foreclosure.

1.21 “Fractional Change in the C.P.I.” shall mean the positive fractional difference between the C.P.I. (i) for the third (3rd) calendar month immediately before the Maximum Resale Price or Option Price, as the case may be, is established as required hereunder, and (ii) the third (3rd) calendar month immediately before Homeowner purchased the Condominium.

1.22 “Governmental Agency” shall mean any federal, state, or other governmental department, bureau, division, or agency with authority over any Person.

1.23 “Ground Lease” means the Ground Lease from Trustees to Housing Corporation dated April 7, 2005, and now transferred and assigned to Cal Poly Corporation, as such Ground Lease may be revised from time to time. The Ground Lease is hereby incorporated herein by reference.

1.24 “Homeowner” shall mean each owner of a Condominium and are named in the Ground Lease Summary. The property rights held by a Homeowner who is not Sublessor consist of (a) an undivided subleasehold interest in the Community Common Area, (b) a fee simple interest in a Condominium and (c) Exclusive Use Area easements appurtenant to such Condominium. Each Homeowner also has a Membership in the Association.

1.25 “Corporation” shall mean the Cal Poly Corporation, a California nonprofit public benefit corporation and auxiliary organization of the California State University.

1.26 “Corporation Deed of Trust” means the deed of trust, in the form attached hereto as Exhibit G, which secures the Homeowner’s obligations to make payments pursuant to the Reimbursement Agreement, and to pay Additional Rent.

1.27 “Corporation Regulations” means the regulations which may be promulgated by the Corporation from time to time to regulate the use of the Project.

1.28 “Improvements” shall mean all buildings and all components thereof, structures and all components thereof, roads, recreational facilities, landscaping and fixtures constructed in the Project.

1.29 “Interest Rate” shall mean ten percent (10%) per annum or the maximum rate permitted by applicable Law, whichever is less.

1.30 “Law” or “Laws” shall mean all applicable laws, including statutes, regulations, rules and ordinances, and all applicable requirements and orders of any Governmental Agencies.

1.31 “Lender” shall mean any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, or other lending institution (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation or other similar institutional secondary market mortgage purchaser) that performs functions similar to any of the foregoing, which makes or is the assignee of a loan to Homeowner secured by a deed of trust on Homeowner’s interests in the Condominium and the Community Common Area, and, in the case of financing provided by a previous Homeowner and with the consent of Corporation, shall include such previous Homeowner.

1.32 “Loan Amount” means the total amount owing a Lender on the date of a purchase of a Homeowner’s mortgage from a Lender by Corporation, or the refinancing thereof, including principal, accrued interest, taxes, insurance, trustee’s fees, statutory costs, and other sums due Lender under the terms of the loan documents.

1.33 “Maximum Resale Price” shall mean the maximum permitted price for the resale of the Condominium as determined pursuant to Section 15.

1.34 “Memorandum of Sublease” means the “Memorandum of Sublease, Grant Deed and Declaration of Easements” attached hereto as Exhibit I, which shall be recorded through escrow on the Commencement Date.

1.35 “Option Price” shall mean the price at which Corporation shall have the right to repurchase the Condominium and obtain a reassignment of the Sublease from Homeowner pursuant to Section 16.2.

1.36 “Person” means a natural individual or any entity recognized under California law.

1.37 “Post-Foreclosure Resale” means resale of any Condominium following a foreclosure or deed in lieu of foreclosure transaction.

1.38 “Principal Residence” shall mean that the Homeowner resides in the living element of the Condominium as the Homeowner’s sole place of residence not less than nine (9) months during each calendar year during the Term of this Sublease. In determining whether the Condominium is the Homeowner’s Principal Residence, the Corporation may examine the relevant factors for determining residency under Sections 121 and 143(c)(1)(A) of the Internal Revenue Code of 1986, as amended (the “Code”), or the Treasury Regulations promulgated thereunder.

1.39 “Program” shall mean the Faculty and Staff Housing Program, approved by Corporation, to support the recruitment and retention of quality faculty and staff through the development of a residential community for employees. The Program shall include eligibility requirements for sublessees and principal residency requirements; a priority system and offering

procedures for assignment of interests in this Sublease and sales of Condominiums to prospective sublessees to foster continuing availability of the Condominiums to persons associated with Cal Poly.

1.40 “Project” shall mean the Bella Montaña residential condominium project constructed on the real property which is the subject of the Ground Lease.

1.42 “Purchase Price” shall mean the amount paid by a Homeowner for the Condominium.

1.43 “Qualified Appraiser” shall mean an appraiser designated from time to time by Corporation, who is an independent real property appraiser having substantial experience in the appraisal of residential real property in the County of San Luis Obispo, State of California, and who shall be a member of a professional organization such as the American Institute of Appraisers or other professional equivalent with a license to perform appraisals in California.

1.44 “Qualified Buyer” means a natural Person who intends to occupy the Condominium as his or her Principal Residence.

1.45 “Rent” shall mean, collectively, the Basic Rent and all other Additional Rent.

1.46 “Repurchase Option Event” shall have the meaning set forth in Section 16.

1.47 “Right of First Refusal” and “Right of First Refusal Exercise Period” shall have the meaning set forth in Section 15.2.

1.48 “Sublease” shall mean this sublease between Corporation and Homeowner, as the same may be amended from time to time.

1.48 “Sublease Parcel” shall mean an undivided leasehold interest in the Community Common Area held by the Homeowner.

1.49 “Successor Homeowner” shall mean any purchaser/assignee of a Homeowner’s interest in a Condominium.

1.50 “Transfer Fee” means any fee due from Homeowner to Corporation for consent to and/or administering of the transfer of this Sublease payable pursuant to Section 15.5 hereof.

1.51 “Trustees” shall mean the Trustees of the California State University.

1.52 “Unit” shall mean a separate interest in space as defined in Section 1351(f) of the California Civil Code. The Unit is a separate estate, as separately shown, numbered and designated in the Condominium Plan. The Unit is composed of a living element and a garage element. The Unit includes the frames and hardware of all entry doors and all frames, hardware and glass portions of the windows, sliding glass doors and other doors that are constructed at Unit boundaries. In interpreting deeds, declarations and plans, the interior unfinished surfaces of

the walls, floors and ceilings of the Unit constructed or reconstructed in substantial compliance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be the boundaries of such portion, rather than the description expressed in the deed, the Declaration or the Condominium Plan, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed and the Declaration, and the boundaries of a building as constructed or reconstructed.

1.53 “Year” shall mean each twelve (12) calendar month period during the term of this Sublease commencing on the Commencement Date or an annual anniversary date thereof.

2. SUBLEASE. Corporation hereby subleases to Homeowner an undivided 1/69 interest in the Corporation’s interest in the Community Common Area, together with all rights and privileges pertaining thereto, upon the terms and subject to the conditions set forth in this Sublease (the “Sublease Parcel”). Homeowner’s Sublease Parcel is legally described in Exhibit A hereto, which is incorporated herein. This Sublease is made in accordance with and is subject to the terms and provisions of the Ground Lease.

3. TERM. The Term of this Sublease shall commence on the Commencement Date and end on the Expiration Date, subject, however, to earlier termination as provided herein and subject to the provisions of Sections 15 and 19.

4. RENT.

4.1 Basic Rent. In consideration of the subleasing of the Sublease Parcel, Homeowner shall pay to Corporation a rental amount (“Basic Rent”) as provided in Exhibit B of this Sublease. The Basic Rent shall be revised every five years during the Term hereof, based upon the current fair market value of the Sublease Parcel, as provided in Exhibit B. Unless otherwise agreed to by Corporation, rental payments shall be made monthly and shall be due on the first day of each month. Payments for partial months shall be prorated. Corporation shall have the right to require that monthly Basic Rent payments be made via payroll deduction or automatic bank-account transfer.

4.2 Additional Rent. Homeowner shall pay to Corporation as “Additional Rent” (i) any costs of collection related to any past due Basic Rent or Additional Rent, and (ii) any reasonable costs incurred by Corporation in connection with the exercise of Corporation’s right of abatement of any nuisance or violation of the Sublease in connection with the Homeowner or Homeowner’s Condominium or Homeowner’s Sublease Parcel. Additional Rent shall be due and paid within fifteen (15) days of notice thereof to the Homeowner.

4.3 No Offset. All Rent required to be paid under this Sublease shall be paid without offset or setoff of any kind.

4.4 Partial Months. All Basic Rent due for any partial month during the Term shall be prorated based upon the actual number of days elapsed.

4.5 Code of Civil Procedure. Basic Rent and Additional Rent both constitute “rent” payable pursuant to this Sublease for the purposes of California Code of Civil Procedure Section 1161.

5. TITLE.

5.1 Ownership of Condominium. The Condominium conveyed to the Homeowner upon the effective date of this Sublease shall be the property of Homeowner during the Term of this Sublease. Upon expiration or termination of this Sublease without a new Sublease being entered into by a Successor Homeowner as provided in Section 15 below, title to and ownership of the Condominium shall automatically vest in Corporation pursuant to Section 20.1 hereof; provided that title and ownership of the personal property in the Condominium shall be subject to the provisions of Section 20.2 below regarding Homeowner’s right to remove such property.

5.2 Master Lessor’s Warranty. Trustees have represented and warranted to Corporation that Trustees’ fee title to the real property in the Project now is, and shall throughout the Term of the Ground Lease remain, free and clear of any senior lien, charge, encumbrance or claim, except as may be described in the Ground Lease.

5.3 Identification of Liens. Corporation has executed a deed of trust encumbering the Project securing the construction loan for the development of the Project. The lien of the deed of trust will be partially released upon Homeowner’s purchase of the Condominium and recordation of the memorandum of this Sublease. Corporation represents and warrants to Homeowner, to the actual knowledge of the employees, agents and representatives of Corporation, that Corporation’s interest in the Homeowner’s Condominium is now free and clear of any other lien, charge, encumbrance, or claim.

5.4 Non-Disturbance. Corporation covenants to Homeowner that, at all times during the Term of this Sublease, Homeowner shall hold, occupy, and enjoy the Condominium without disturbance or hindrance by Corporation or by any other person claiming under or by right of Corporation, except as provided in this Sublease.

6. USE.

6.1 Principal Residence Only. Except as otherwise specifically set forth in this Sublease, Homeowner shall at all times reside at the Condominium and use the Condominium only as the Principal Residence of Homeowner. Either Corporation or Trustees may require Homeowner to provide such information as may be reasonably necessary to determine compliance with the provisions of this Section. The Principal Residence requirement does not prohibit the Homeowner from engaging in employment-related or personal business-related activities such as telecommuting or a home-based business that does not require face-to-face dealings with the public, if such activities are not otherwise prohibited by Law or the Declaration. The breach by Homeowner of the Principal Residence requirement under this Section 6.1 shall constitute an event of default under this Sublease, whereupon, in addition to Corporation’s rights pursuant to Section 19 hereof, Corporation shall have the option, but not the obligation, to require the termination of the Sublease and to require Homeowner to sell the Condominium to Corporation or its assignee on the terms and conditions specified in Section 16

hereof. Notwithstanding anything else herein to the contrary, the Principal Residence requirement of this section shall not apply to a Foreclosure Transferee.

6.2 Exceptions.

6.2.1 Damage. If the Unit is damaged or destroyed by an act of God or other casualty, the Principal Residence requirement of Section 6.1 shall not be applicable until such time as a new Unit is constructed pursuant to the requirements of Section 13.

6.2.2 Condemnation. If all or any portion of the Condominium and/or the Sublease Parcel shall be taken by the exercise of the right of eminent domain for governmental occupancy for a limited period of time, making it infeasible for the Homeowner to occupy the Unit, the Principal Residence requirement of Section 6.1 shall not be applicable during such period.

6.2.3 Permitted Rentals. Notwithstanding the provisions of Section 6.1, if Homeowner is an employee of Cal Poly or one of its auxiliaries, Homeowner shall be permitted to rent the entire Condominium along with its Exclusive Use Areas, provided that (i) said rental is only made to a party eligible under the Program; (ii) Homeowner complies with the priority system of the Program by allowing Corporation at least thirty (30) days to find a tenant reasonably acceptable to Homeowner who is an employee of Cal Poly or one of its auxiliaries prior to renting the Condominium to anyone else, and (iii) said rental is on a short-term basis (i.e., for a period not to exceed one (1) year), when Homeowner is away from Cal Poly on an approved sabbatical, or as otherwise authorized in writing by Corporation. Notwithstanding Section 6.1, Homeowner may rent or otherwise allow any person to occupy only a portion of the Unit without Corporation's consent so long as the Condominium at all times remains Homeowner's Principal Residence. Homeowner shall complete a rental application for any person renting the Unit or part thereof before permitting occupancy. Homeowner will remain responsible for the Basic Rent and Association fees.

6.2.4 Lenders. Nothing contained in Section 6.2 shall prohibit the holding of an interest in the Condominium and/or Homeowner's Sublease Parcel by a Lender following a foreclosure or a transfer to a Lender by a deed-in-lieu of foreclosure, provided that all rental restrictions hereunder shall apply to such transferee except as provided otherwise herein.

6.3 Nuisance. Homeowner shall not use or permit any Person to use the Condominium or the Community Common Area in any way that constitutes a nuisance.

6.4 Corporation Adoption of Regulations. Corporation shall have the right to promulgate regulations from time to time to regulate the use of the Project. The Corporation Regulations shall be binding on Homeowner.

6.5 Compliance with Community Guidelines and Laws. Homeowner shall conform to, and cause any Person present in the Project by license or invitation of the Homeowner, to comply with the Community Guidelines, the Declaration, the Bylaws, the Corporation Regulations and with all other applicable Laws. Homeowner agrees to indemnify, protect, defend and hold harmless Corporation and the Trustees from any penalty, damages or

charge imposed for any violation of the Community Guidelines, the Declaration, the Bylaws, the Corporation Regulations or of any Law applicable to the use and occupancy of the Project occasioned by the negligent or willful act or omission of Homeowner or by any Person present in the Project by license or invitation of Homeowner. Notwithstanding anything to the contrary in this Sublease, Homeowner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to Corporation, Cal Poly, or Trustees, the validity or application of any present or future Law that restricts the use of the Project or that requires Homeowner to repair, maintain, alter or replace the Improvements in the Project. Homeowner shall not be in default under this Sublease for failing to commence repairs, maintenance, alterations or replacements until a reasonable time following the final judgment and conclusion of appeals in any such administrative or judicial proceeding, provided that Homeowner shall protect the Trustees and the Corporation from any lien by adequate surety bond or other appropriate security. Homeowner's right to contest shall be exercised in such a manner as to avoid any exposure of the Project to foreclosure or execution sale.

7. TAXES AND ASSESSMENTS.

7.1 Homeowner Responsible. The parties acknowledge that the Sublease Parcel may be subject to the payment of ad valorem possessory interest taxes. Homeowner shall have sole responsibility for paying or assuring the payment of such taxes and assessments as and when due. Corporation and Homeowner acknowledge and agree that nothing in this Section 7 is intended or shall be interpreted to permit the imposition upon Corporation or Trustees of liability for any taxes or fees by any Governmental Agency.

7.2 Indemnity. Homeowner agrees to defend, protect, indemnify and hold harmless the Trustees and Corporation from and against any tax or assessment required to be paid pursuant to Section 7.1. Subject to the provisions of Section 7.3, Homeowner further agrees to prevent any such tax or assessment from becoming a delinquency lien upon the Condominium, the Community Common Area, Corporation's leasehold interest in the Project, or Trustees' fee interest in the real property in the Project. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, the Corporation and Trustees shall have the right but not the obligation to pay such tax or assessment. In the event that the Corporation or Trustees makes any such payment, the amount of the payment shall be immediately due and payable to the payer by Homeowner as Additional Rent and shall bear interest pending payment by Homeowner at an annual rate equal to the Interest Rate.

7.3 Right to Contest. Homeowner shall have the right, at Homeowner's cost and expense, to refuse to pay and to contest the amount or validity of any tax or assessment by an appropriate proceeding diligently conducted in good faith; provided, however, that Homeowner's right to contest shall be exercised in such a manner so as to avoid any exposure of Homeowner's Sublease Parcel, Trustees' fee interest in the real property in the Project, Corporation's leasehold interest therein, the Condominium or any Improvements to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, the Corporation and Trustees shall not have the right to pay, remove or discharge any tax or assessment thereby contested, provided that Homeowner shall protect Corporation, the Trustees, the Community Common Area, the Condominium and other Improvements from any lien by providing Corporation with a surety bond acceptable to the Corporation or other security deemed appropriate by Corporation.

7.4 Corporation Lack of Control. Homeowner acknowledges that Corporation has no control over the valuation of the Condominium or the Homeowner's Sublease Parcel for tax assessment purposes, or the collection of taxes or assessments or the amount of any taxes.

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

8. INSURANCE.

8.1 Condominium Association's Obligations. Pursuant to Article VI of the Declaration, the Condominium Association is responsible during the Term of this Sublease to obtain and maintain public liability insurance and fire and casualty insurance for the Common Area, the Community Common Area and Exclusive Use Areas.

8.2 Homeowner's Obligations. Pursuant to Article VI of the Declaration, the Homeowner is responsible during the Term of this Sublease to obtain and maintain fire and casualty insurance for their Unit, including repair and replacement of interiors, built-in cabinetry, and other interior finishes. Purchase of personal property (contents) insurance and personal liability insurance should also be considered by Homeowner though is not required.

9. CONDITION OF CONDOMINIUM.

9.1 As-Is Condition. Homeowner hereby accepts the Condominium, and the Community Common Area "AS IS," subject to all faults reasonably discoverable at the Homeowner's walk-through prior to the Commencement Date.

9.2 As-Built Condition. Homeowner acknowledges that various engineering and architectural plans pertaining to the Project, including, but not limited to, survey maps, grading plans, plot plans, improvement plans and building plans (collectively, "Plans"), contain dimensions regarding certain aspects of the construction of the Improvements. If there is a discrepancy between the Plans and the actual as-built conditions of the Improvements, the as-built conditions will control. The depictions of the Improvements are for illustrative purposes only, and in the event of a conflict between such depictions and the actual as-built conditions of the Improvements, the as-built conditions will control. The usable or buildable area, location and configuration of the Improvements may differ from that shown or displayed to Homeowner in any drawings, plans, topographic maps or models on the Plans based upon Corporation's final placement of the Improvements including, without limitation, fencing and slopes, which have been placed and constructed in Corporation's sole and absolute discretion. The location, size, height and composition of all walls and fences have been determined by Corporation, in its sole and absolute discretion, and despite models, drawings or topographic maps, or the Plans displayed. Corporation has provided no representations, warranties or assurances to Homeowner as to the size, height, location or composition of any wall or fence to be constructed on or adjacent to the Unit, an Exclusive Use Area or as a part thereof.

10. MAINTENANCE.

10.1 By Homeowners. Homeowner shall comply with all of Homeowner's maintenance requirements set forth under the Declaration. If Homeowner fails to perform his or her responsibilities under the Declaration, Corporation shall have the right, after giving at least thirty (30) days' prior written notice, to perform the work and to assess Homeowner all costs therefore as Additional Rent.

10.2 Drainage. In compliance with applicable governmental requirements, proper surface and underground drainage of water from the Project has been established. Any modification to the established drainage patterns or devices on the Project may cause significant and permanent damage to the Project. With respect to improvements being installed by on or on behalf of Homeowner, it is Homeowner's sole responsibility to obtain any necessary permits and take precautions, which may include consulting with appropriate professionals, to ensure that such improvements are constructed in a manner so as not to alter the drainage around the Project. Homeowner hereby agrees to indemnify, protect, defend and hold harmless Corporation, the officers and employees of Cal Poly and the Trustees for all Claims and Losses incurred as a result of any such alterations of drainage patterns.

11. EXCULPATION AND GENERAL INDEMNIFICATION.

11.1 Exculpation. This Sublease is made on the express condition that the Corporation, Cal Poly Corporation, Cal Poly, the Trustees, the State of California, and their respective directors, officers, employees, representatives, volunteers, board members, trustees, contractors, consultants, attorneys and agents, shall be free from all Claims and Losses by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether in the Condominium, on the Community Common Area, or in any way connected with the use and occupancy of the Project or personal property of Homeowner thereon, including any liability for injury or death to the person or damage to or loss of property of Homeowner or his or her agents, servants, guests, licensees, family members or employees except to the extent that said injury or damage is caused by the willful or sole negligent act or omission of the Corporation, Cal Poly Corporation, Cal Poly, the Trustees, or the State of California, or their respective directors, officers, employees, representatives, volunteers, board members, trustees, contractors, consultants, attorneys and agents.

11.2 Indemnity. Homeowner agrees to indemnify, protect, defend and hold harmless Corporation, Cal Poly Corporation, Cal Poly, the Trustees, the State of California, and their respective directors, officers, employees, representatives, volunteers, board members, trustees, contractors, consultants, attorneys and agents, from any and all Claims and Losses on account of or arising out of the matters described in Section 11.1 above. As among the parties described in this Section 11.2, and except as expressly limited by Section 11.1, Homeowner shall assume all risks of injury or death of any person or damage to or loss of any property of Homeowner and any property under the control or custody of Homeowner while in the Project.

12. LIENS AND ENCUMBRANCES.

12.1 Covenant and Indemnity. Homeowner hereby covenants to keep Homeowner's Condominium and Sublease Parcel free and clear of any and all liens or encumbrances (except

Deeds of Trust executed pursuant to Section 18.2.1 below) created by Homeowner's acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies or equipment to Homeowner. Homeowner further agrees to indemnify, protect, defend and hold harmless Corporation, Cal Poly Corporation, Cal Poly, the Trustees, the State of California, and their respective directors, officers, employees, representatives, volunteers, board members, trustees, contractors, consultants, attorneys and agents, from and against any such Claims and Losses in connection therewith.

12.2 Notices. Homeowner agrees to provide Corporation written notice of any work of improvement (as defined in Section 3106 of the California Civil Code) on Homeowner's Unit or Exclusive Use Area at least twenty (20) days before beginning the work of improvement and to permit Corporation, Cal Poly Corporation, Cal Poly, the Trustees, and the State of California to post on the Unit, Common Area or Community Common Area, a Notice of Nonresponsibility pursuant to Sections 3094 and 3129 of the California Civil Code while the work of improvement is in progress. Should any lien be recorded against the Homeowner's Condominium or Homeowner's Sublease Parcel that purports to be a lien against the interests of Corporation, Cal Poly Corporation, Cal Poly, the Trustees, or the State of California, Homeowner agrees to purchase and record, at Homeowner's sole cost and expense, a bond adequate to remove the purported lien against the interests of Corporation, Cal Poly Corporation, Cal Poly, the Trustees, or the State of California. If Homeowner fails to do so, Corporation may record such bond and assess the cost to Homeowner as Additional Rent.

13. DESTRUCTION AND RESTORATION. If, during the Term of this Sublease, the Unit or the Improvements are wholly or partially destroyed, such destruction shall not terminate this Sublease. Instead, the Unit and the Improvements shall be rebuilt to substantially the same condition as they were in immediately prior to such destruction as is reasonably possible and as permitted by Law, in accordance with and subject to the requirements of the Declaration. Any material deviations between the planned restoration and the damaged improvements shall require the prior written approval of Corporation.

14. CONSTRUCTION OF IMPROVEMENTS.

14.1 Plans and Specifications.

14.1.1 Required Submissions. Prior to the commencement of any construction or renovation on the Unit, Common Area or Community Common Area, or modification of the Exclusive Use Area patios with the addition of any plants or hardscape visible at maturity from any other part of the Project, by either the Homeowner or the Condominium Association (i) affecting the outward appearance of the Unit, the Common Area and/or the Community Common Area, or (ii) affecting the structural integrity of the Unit, the Common Area or the Community Common Area, Homeowner or the Condominium Association, as applicable, shall submit to the Corporation plans and specifications for such construction or renovation and shall make all additional submittals to the Condominium Association and the Corporation or any others as required by the Design Guidelines. Such plans and specifications shall be in such detail and prepared in such manner as prescribed in the Design Guidelines and as may reasonably be required to permit the Condominium Association and the Corporation to make an informed judgment as to the overall design and manner of construction of the proposed

construction or renovation. No such construction or renovation shall be undertaken by Homeowner without the written approval of the Condominium Association and the Corporation of the plans and specifications and such other approvals as required by the Design Guidelines.

14.1.2 No Liability of Corporation, Cal Poly or the Trustees. It is expressly understood and agreed that the Corporation's review or approval of plans and specifications as required by this Section 14.1 or the Design Guidelines shall not make the Corporation, Cal Poly, or the Trustees, or their individual representatives or members, responsible or liable to Homeowner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given, nor shall any disapproval make the Corporation, Cal Poly, or the Trustees, or any of their individual representatives or members, liable to Homeowner.

14.2 No Demolition. Neither Homeowner nor the Condominium Association shall demolish the Unit or remove any Improvements on the Common Area or Community Common Area without the express written consent of Corporation, and Homeowner shall further request and obtain the consent of the Condominium Association therefore in accordance with the requirements of the Design Guidelines. It is expressly understood that the Corporation's consent shall be entirely within Corporation's discretion to grant or to withhold. Any consent by Corporation with respect to such a request may be conditioned upon a requirement that Homeowner or the Condominium Association immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 14.1, and shall be otherwise consistent with the terms of this Sublease. Notwithstanding the foregoing, in no event shall all or any portion of a Unit be severed or removed without the express written consent of Corporation, which may be withheld in its sole discretion.

14.3 Provision of Utility Services. Homeowner agrees to pay standard charges and deposits for service to the Unit and Exclusive Use Areas for all utility services used by Homeowner, whether provided by the utility company or by the Condominium Association, including but not limited to electricity, gas, water, sewer, trash collection, telephone, cable television, and internet service.

15. RESALE.

15.1 Right to Sell. Homeowner may sell and convey the Condominium to any Qualified Buyer (i) subject to (a) Corporation's rights and options described in Section 15.2, and (b) Corporation's right to require the termination of this Sublease and purchase of the Condominium upon the occurrence of a Repurchase Option Event pursuant to Section 16; (ii) provided that the Principal Residence requirement set forth in Section 6.1, the resale price restrictions set forth in Section 15.4, and the priority system requirements of Exhibit C attached hereto are satisfied, and such other rules and procedures as may be specified by Corporation; and (iii) provided that prior to or concurrently with said assignment all Rent payable under this Sublease and all Fees under Section 15.5 are paid in full to Corporation.

Exhibit C describes the eligibility and priority system and procedures for Homeowner's sale of the Condominium, current as of the date of this Sublease. Such system and procedures are subject to modification at any time by Corporation, and, in addition, Corporation may

promulgate and distribute regulations, from time to time, to implement the eligibility and priority system and procedures, which regulations will be binding on Homeowner; provided, however, that no such regulations shall extend the total of any required offering periods, when combined with Corporation's Right of First Refusal in Section 15.2 to a period in excess of one-hundred eighty (180) days.

15.1.1 At each step in the offering process described in this Section and Exhibit C, Homeowner's interest in the Condominium must be offered to a Qualified Buyer for sale on terms and conditions which are, in all material respects, no more favorable than the terms and conditions offered to higher priority purchasers. Further, Homeowner's offer to sell his or her interest in the Condominium must not be conditioned in any manner on the purchase, lease, or rental of any other real or personal property in which Homeowner has an interest.

15.2 Corporation Right of First Refusal To Purchase upon Offering for Sale.

15.2.1 Homeowner Sale Notice. Prior to Homeowner's sale of the Condominium, Homeowner shall notify Corporation in writing ("Homeowner Sale Notice") of said proposed sale and Homeowner's proposed listing price. For a period of sixty (60) days following receipt of the Homeowner Sale Notice (the "Right of First Refusal Exercise Period"), Corporation shall have the right and option, but not the obligation, to require Homeowner to sell the Condominium to Corporation at the price determined pursuant to Section 15.2.2 below (the "Right of First Refusal"). Corporation's rights under this Section may be assigned by Corporation in accordance with the priority system and assignment and offering procedures for subsequent transfers set forth in Exhibit C to the Sublease.

15.2.2 Exercise of Right of First Refusal. Corporation's Right of First Refusal shall be exercisable by the delivery to Homeowner of written notice within the Right of First Refusal Exercise Period. If Corporation or its assignee exercises Corporation's Right of First Refusal during the Right of First Refusal Exercise Period, the Option Price for the sale to Corporation or its assignee shall be the lowest of the following:

- (i) the purchase price listed by Homeowner in the Homeowner Sale Notice,
- (ii) the Maximum Resale Price for the Condominium, or
- (iii) The appraised value of the Condominium (determined pursuant to the appraisal process described in Section 15.4.3).

If Corporation exercises the Right of First Refusal, the closing of said sale shall occur within sixty (60) days following the expiration of the Right of First Refusal Exercise Period.

15.2.3 Non-Exercise of Right of First Refusal. In the event that Corporation or any assignee of Corporation does not exercise Corporation's Right of First Refusal within the Right of First Refusal Exercise Period, Homeowner shall have the right to sell the Condominium to any Qualified Buyer in accordance with the priority system and other requirements set forth in Exhibit C.

15.3 Notices; Effect of Transfer upon Sublease.

15.3.1 Notice of Transfer. As a condition precedent to Homeowner's sale of any interest in the Condominium, no later than fifteen (15) days prior to the closing of any such sale, Homeowner shall notify Corporation of the proposed sale. The notice shall certify that Homeowner has complied with the resale restrictions and requirements in this Section 15 and shall identify the proposed Successor Homeowner and describe his or her eligibility and priority status pursuant to Exhibit C. Corporation may from time to time specify other information that must be included in such notice. Corporation shall have fifteen (15) days following such notice during which Corporation may investigate and, as appropriate, challenge the representations set forth in such certification. In the event of any such challenge by Corporation, the closing shall not proceed until such time as Corporation is reasonably satisfied that Homeowner has complied with the requirements and restrictions of this Section 15.

15.3.2 Notice of Sale Price. No later than fifteen (15) days prior to the closing of any sale pursuant to Section 15.1, Homeowner and Successor Homeowner shall notify Corporation of the proposed sale price, which shall be certified by Corporation upon presentation of adequate documentation (in such form as Corporation may prescribe) by Homeowner and Successor Homeowner. Corporation's certification shall establish compliance with the resale price limitations contained in Section 15.4 and payment of all Basic Rent due prior to the transfer.

15.3.3 Termination of Existing Sublease; Execution of New Sublease. In connection with any resale, Homeowner and Corporation shall execute a termination of this Sublease, which termination shall become effective concurrently with the sale of the Condominium to the Successor Homeowner, and the Corporation shall refund Homeowner the unapplied amount of Homeowner's Basic Rent payment, if any. In addition, the Successor Homeowner of the Condominium shall enter into a new Sublease directly with Corporation, which Sublease shall commence as of the date of the Successor Homeowner's acquisition of the Condominium. Each new Sublease executed pursuant to this Section shall be written on Corporation's then-current form of Sublease and shall provide (i) for a term equal to the then-remaining term under the prior Sublease or such longer term as determined by Corporation, in its sole and absolute discretion, and (ii) the payment by the Successor Homeowner of the applicable amount of Basic Rent determined to be payable by the Successor Homeowner in accordance with the provisions of the Program. Following the effective date of the termination of this Sublease by Homeowner and execution of a new Sublease by the Successor Homeowner, Homeowner shall have no further interest in the Community Common Area by virtue of the Sublease.

15.3.4 Limitations on Assignment. Except as otherwise permitted under Section 18.2. Homeowner shall not grant, assign, sublease or otherwise transfer any of his or her rights under this Sublease other than in conformity with the provisions of this Section 15. Any such grant, assignment, sublease or other transfer shall be a default under this Sublease and shall be void and of no force and effect, and Homeowner shall continue to be liable under this Sublease for all performance required hereunder including, without limitation, the payment of Basic Rent and Additional Rent.

15.3.5 Corporation Investigation. Corporation may, at any time and from time to time, conduct such investigations and require Homeowner or any successor in interest to Homeowner to provide such information as Corporation reasonably may request to determine compliance with the resale limitations described in this Section 15. In the event that Corporation determines that Homeowner or any successor in interest to Homeowner is in violation of the assignment and resale limitations described in this Section 15 the transfer shall be void, and Homeowner shall pay all of Corporation's investigative and legal costs relating to such discovery and the enforcement of the provisions of this Section 15. Corporation shall have the option to require the assignment of such Person's Sublease Parcel under this Sublease and purchase the Condominium from such Person on the same terms and conditions as are specified in Section 16.

15.4 Resale Price Limitations.

15.4.1 General. To assure that all housing units under the Program (including the Condominiums) shall continue to remain affordable to persons listed on the priority list set forth in Exhibit C, resale price limitations shall be imposed on each resale transaction involving the Condominium. To accomplish this purpose Homeowner may not sell the Condominiums at a price greater than the Maximum Resale Price.

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

15.4.2.1 The Purchase Price Homeowner paid for the Condominium; plus

15.4.2.2 The Purchase Price Homeowner paid for the Condominium multiplied by the Fractional Change in the C.P.I.; plus

15.4.2.3 The appraised value (determined by the appraisal process described in Section 15.4.3 below) of each Approved Capital Improvement made by Homeowner to the Unit or Exclusive Use Area, subject to the maximum percentage limitation stated therein; plus

15.4.2.4 The reasonable out-of-pocket costs (approved by Corporation) of incidental repairs and minor renovations made to the Unit or Exclusive Use Area within ninety (90) days prior to the commencement of the process of selling the Condominium in order to improve the appearance of the Unit or Exclusive Use Area, not to exceed five percent (5%) of the sum of the indexed original purchase price (i.e., the sum of the amounts derived from subsections 15.4.2.1 and 15.4.2.2), for which Homeowner has delivered to Corporation written documentation satisfactory to Corporation to evidence said costs; less

15.4.2.5 The actual costs incurred by Corporation for repairs made to the Unit or Exclusive Use Area as necessary to make the Condominium marketable for sale in accordance with standards prevailing in the real estate market.

15.4.3 Additional Consideration Prohibited. Homeowner may not charge or receive any compensation of any nature in excess of the Maximum Resale Price for the assignment of the Sublease and sale of the Condominium and any such attempted sale or assignment on such basis shall be void and of no force or effect. Payment of brokers' commissions or other costs of sale, if any, by Homeowner shall not affect the establishment of the Maximum Resale Price. Corporation may require certification from the Qualified Buyer and other reasonable documentation to confirm that no consideration is being paid in excess of the Purchase Price reported to Corporation as a condition of consenting to the transfer.

15.4.4 Appraisal Procedures. The appraised value of the Condominium, or the Approved Capital Improvements, as applicable, shall be determined as follows:

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

15.4.4.2 Homeowner shall then select a Qualified Appraiser from a list of Qualified Appraisers supplied by Corporation. Homeowner may request that Corporation review the qualifications and experience of appraiser(s) not on such list and add such appraisers to the list as Corporation deems appropriate. Whether any particular appraiser is added to the list shall be determined by Corporation in its sole and absolute discretion. The cost of the initial and any additional appraisals shall be paid by Homeowner.

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

15.4.4.4 If Homeowner notifies Corporation that the appraisal is unsatisfactory, then Homeowner may choose another Qualified Appraiser and proceed with another appraisal at Homeowner's expense.

15.4.4.5 If the amount of the appraised value determined by the second Qualified Appraiser differs from the original appraisal, higher or lower, the average of the two appraisals will be used to value the Condominium or Approved Capital Improvements, as applicable.

15.4.4.6 The appraisal of the Condominium shall apply to the Condominium as a whole, including, without limitation, any and all Approved Capital Improvements made to the Unit or Exclusive Use Area, and shall exclude the value of Homeowner's Sublease Parcel.

15.4.4.7 The remaining depreciated value of any Improvement in the Unit or Exclusive Use Area, replaced by an Approved Capital Improvement shall be deducted from the appraised value of the Approved Capital Improvements.

In no event, however, shall the appraised value of the Approved Capital Improvements exceed the purchase price Homeowner paid for the Condominium, multiplied by the Fractional Change in the C.P.I., by more than fifteen percent (15%).

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

15.5 Fees. A transfer by Homeowner pursuant to Section 15 shall be effective only if, at the time of such transfer, Homeowner shall

(i) pay to Corporation any and all Basic Rent, Additional Rent and any other assessments due and owing which may have been imposed pursuant to this Sublease or, if any such Rent or assessment has been imposed but is not yet due and owing, pay the prorated portion that is attributable to the portion of the Year during which Homeowner held a Sublease Parcel;

(ii) pay Corporation a Sublease document and preparation fee in such amount as Corporation may determine is reasonable, not to exceed one percent (1%) of the gross sales proceeds;

(iii) if Corporation or its agent has acted as sales facilitator on the sale transaction by locating the buyer for the Condominium and preparing the sales contract and related documents, pay to Corporation or its agent a sales facilitation fee in such amount as Corporation may determine is reasonable, but not to exceed two percent (2%) of the gross sales proceeds. The Corporation shall have sole discretion to require that such a facilitator be used in connection with the transaction.

Corporation may offset any such fees, costs and loans against the refund of unapplied Basic Rent due Homeowner under Section 15.3.3.

15.6 Transfers to Trusts. Notwithstanding anything to the contrary in this Sublease, Homeowner shall be permitted to assign his or her Sublease Parcel and to transfer his or her Condominium to:

(i) a trust created in connection with Homeowner's estate planning, provided that the beneficial ownership of the Condominium does not change,

(ii) Homeowner's spouse and/or linear descendants, so long as Homeowner retains a life estate and exclusive rights to occupancy of the Condominium for life,

(iii) joint tenancy with Homeowner's spouse and/or linear descendants, so long as Homeowner has exclusive rights to occupancy of the Condominium for life, or

(iv) co-tenancy with Homeowner's spouse so long as Homeowner retains at least a 50% interest and the exclusive right of occupancy of the Condominium for life.

Any assignment and sale to an estate-planning trust pursuant to this Section shall not be subject to Corporation's Right of First Refusal described in Section 15.2. The preceding exemption shall not extend to any distributions from or transfers of rights or

interests in such trust upon the death of the original Homeowner, at which time Section 15.2 shall apply.

16. REPURCHASE OPTION UPON OCCURRENCE OF REPURCHASE OPTION EVENT. The employee housing program was developed to support the academic mission of Cal Poly and provide a residential community to assist Cal Poly in the recruitment and retention of a diverse, high quality faculty and staff. In order to preserve the Project for its intended purpose, Corporation reserves the right and option to repurchase the Condominium and to require Homeowner to terminate his or her Sublease (“Repurchase Option”) if certain detrimental changes in a Homeowner’s eligibility status under the Program triggers a Repurchase Option Event. Homeowner (or his or her personal representative) shall be responsible to give written notice to Corporation if a Repurchase Option Event occurs, as soon as possible after the occurrence of a change in employment, death, transfer or other event which will become a Repurchase Option Event upon the passage of time. In the event that Homeowner fails to give written notice to Corporation of a Repurchase Option Event, the date of the Repurchase Option Event shall be the date on which the Corporation actually discovered the existence of such event, and not the date on which such event actually occurred. The Repurchase Option Events are attached hereto as Exhibit E.

16.1 Exercise. Corporation’s Repurchase Option shall be exercisable by the delivery to Homeowner of written notice at any time during the period commencing on the date Corporation may first exercise the Repurchase Option Event, as set forth in Exhibit E, and ending on the sixtieth (60th) day thereafter (“Repurchase Option Event Exercise Period”). Corporation may assign the Repurchase Option to any prospective homebuyer in accordance with the priority system and assignment and offering procedures for subsequent transfers described in Exhibit C.

16.2 Purchase Price and Closing. If Corporation or its assignee exercises Corporation’s Repurchase Option during the Repurchase Option Event Exercise Period,

(i) the Purchase Price for the assignment and sale to Corporation or its assignee shall be equal to the lesser of:

- a. the Maximum Resale Price or
- b. the appraised value of the Condominium, determined pursuant to the appraisal process described in Section 15.4.3,

provided that, if the Repurchase Option Event is the Homeowner’s default on a loan made or guaranteed by Corporation or a corporate affiliate of Corporation in connection with Homeowner’s acquisition of the Condominium, then Corporation shall be entitled to offset against the Purchase Price the full outstanding amount of any such loan made (with interest, penalties and costs of collection, if any) and, with respect to any such guarantee undertaken, the costs, expenses, losses or other charges incurred by Corporation and such corporate affiliate incurred by them by reason of Homeowner’s default on the guaranteed loan, provided that for charges incurred by such corporate affiliate, Corporation has agreed to indemnify such affiliate for charges incurred pursuant to a default under such guaranteed loan.

This right of offset shall be in addition to Corporation's and such corporate affiliate's other rights and remedies under such instruments.

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

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

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

16.5 Authorization and Release. Homeowner agrees to cooperate with Corporation in providing and obtaining information necessary to make a determination whether a Repurchase Option Event may have occurred. Homeowner hereby authorizes Corporation to obtain whatever information may be required from third parties for Corporation to make such determination, including, without limitation, Cal Poly, the Trustees, and any other employer of Homeowner. Corporation agrees to utilize any such information so obtained only for such purpose and, if applicable, for implementing Corporation's rights under this Section 16.

17. OTHER RIGHTS AND OBLIGATIONS OF CORPORATION AND HOMEOWNER.

17.1 Entry by Corporation. Except as described below, no employee, agent or representative of the Corporation, Cal Poly or the Trustees may enter the Exclusive Use Areas or the Unit without Homeowner's prior consent. Representatives of Cal Poly and Corporation shall have the right to enter the Exclusive Use Areas or any Improvement in the event of an emergency that appears to threaten the safety of any person or destruction of the Unit or other Unit(s) in the Project or to abate any violation of Homeowner's or Condominium Association's obligations of repair and maintenance, and to perform Corporation's obligations (if any) with respect to maintenance, repair and replacement of Improvements. Representatives of Cal Poly and Corporation shall have the right to inspect improvements under construction and, upon their completion, to ascertain that such improvements comply with the plans and specifications approved by Corporation. Any construction by Homeowner shall require plan approval and inspection by Cal Poly as the Governmental Agency with jurisdiction for compliance with applicable laws and regulatory codes and the Design Guidelines.

17.2 Reservation of Oil, Gas and Mineral Rights. Pursuant to the underlying Ground Lease, the Trustees have reserved the sole and exclusive right to prospect for oil, gas, hydrocarbons, and other minerals (of whatsoever character). This reservation does not include

the right of entry from surface access, or any right not expressly reserved in the Ground Lease. Homeowner shall not be disturbed in his quiet enjoyment and peaceful use of the Project by the aforementioned drilling or production activities.

17.3 Easement Reservations.

17.3.1 Corporation reserves a maintenance easement across all of the Project, including the Units, the Common Area and Community Common Area, and Improvements thereon, which may be exercised in the event that the Condominium Association is not properly maintaining the Common Area or Community Common Area as required by the Declaration. Corporation, with written Cal Poly consent, also reserves the right to grant easements across the Common Area or Community Common Area to utility companies and public agencies for the purpose of installing, operating, replacing or maintaining lines or conduits or meters for electricity, cable television, telephones, sewers, water, gas, sprinkling systems, and similar public or quasi-public facilities. No such easement shall unreasonably interfere with the use, occupancy or enjoyment of the Project by Homeowner. In the Ground Lease, the Trustees has reserved the right to grant easements, rights-of-way and/or air rights with respect to the Community Common Area provided that such additional easements and/or rights-of-way shall not unreasonably interfere with Corporation's use and enjoyment of the Project in accordance with the Ground Lease, and Corporation hereby reserves such easements and rights-of-way in this Sublease.

17.3.2 Corporation reserves a maintenance easement on all Units and Exclusive Use Areas pursuant to the Declaration, which may be exercised in the event that the Homeowner is not performing its maintenance obligations established under the Declaration.

17.3.3 Corporation shall have and hereby reserves an easement over the Project as may be needed or desired by Corporation in connection with the developing and marketing of the Condominiums.

17.3.4 Homeowner shall not enter into any contract or agreement with any entity with respect to any easement without the prior consent of Corporation.

17.4 Community Common Area. Subject to the approval of the Condominium Association, Corporation reserves the right to construct in the Community Common Area such improvements, if any, as shall be determined by Corporation, for the use and enjoyment of Homeowners.

17.5 Additional Rent as Personal Obligation. All Additional Rent, together with any late charge, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of Homeowner at the time such rent becomes due and payable. Homeowner may not exempt himself or herself from payment of assessments by waiver of the use or enjoyment of all or any portion of the Community Common Area or the Common Area. Corporation, the Trustees or any nonprofit corporation or unincorporated association that is the assignee of Corporation's obligations pursuant to Section 22.13 below, as the case may be, may bring an action at law against Homeowner, and furthermore shall have a lien against the Condominium and Homeowner's Sublease Parcel for so long as Homeowner retains an interest in them, for the

amount of delinquent assessments, interest, costs, and actual attorneys' fees resulting from any such action.

17.6 Law Enforcement. The Project is located within the County of San Luis Obispo and as such primary responsibility for law enforcement lies with the San Luis Obispo County Sheriff's Department.

17.7 Prohibition on Firearms. Except as otherwise provided under state law, firearms are not permitted in the Project, including, without limitation, within any and all Common Areas, Community Common Areas and Exclusive Use Areas. Homeowners and their guests, licensees, invitees and/or family members are not permitted to keep firearms in their Units or Exclusive Use Areas or bring them onto the Project or the Cal Poly campus (except such Persons who are sworn police officers currently employed by government agencies).

17.8 Views Not Guaranteed. Neither the Corporation, Cal Poly, the Trustees, nor any of their respective directors, trustees, officers, agents, representatives or employees, have made or been authorized to make any representations, warranties or promises concerning any view, present or future, that may be enjoyed from any particular Condominium located in the Project.

17.9 Square Footage, Appearance and Finish Acceptance. Any stated square footage areas of the Unit or Exclusive Use Area in the Condominium Plan, any plans, brochures or other marketing materials are estimates only and Corporation shall have no liability if actual square footage differs. Homeowner's approval of the Unit and Exclusive Use Areas at the walk-through and closing of the transaction pursuant to which the Sublease term commences constitutes approval of the Unit, including its size, its appearance and its fixtures, appliances, doors, windows, countertops, floor coverings, color scheme, HVAC, plumbing and electrical systems and hardware.

17.10 Estoppel Certificates. At the request of either party, the other shall execute, acknowledge and deliver a certificate certifying (i) that this Sublease is unmodified and in full force and effect (or, if there has been any modification, that this Sublease is in full force and effect as modified and stating the modification); (ii) the date to which the Rent including Additional Rent has been paid; (iii) that there are no existing offsets or defenses against the enforcement of any provision of this Sublease (or, if so, specifying the same); and (iv) that no notice has been given of any default which has not been cured. If the party requested to provide such certificate fails to do so within thirty (30) days of request, the certificate, in the form prepared by the other party, shall be deemed correct.

17.11 Brokerage Commissions. Each party hereby agrees to hold the other harmless from and against any real-estate brokerage commission or other such obligation incurred by the party contracting for or enjoying the benefit of such brokerage services as the result of the negotiation or execution of this Sublease, or any assignment of this Sublease, or sale, lease or other conveyance of the Condominium.

17.12 Right to Change Offering Terms with Respect to the Condominiums.

17.14.1 Corporation reserves the right at any time and without notice, to increase or decrease the sale price, adjust incentives and/or otherwise adjust the terms and conditions of sale for other Condominiums;

17.14.2 Corporation may offer prices, incentives and/or other terms and conditions of sale that vary in amount or type to different buyers;

17.14.3 Corporation is not obligated to offer Homeowner the same price, incentives and/or other terms and conditions of sale that Corporation has previously offered or may subsequently offer to another buyer; and

17.14.4 Corporation has not offered or agreed to provide or made any projections of any price protection or other similar commitment to Homeowner regarding the value or resale value of the Condominium (or any other property), and Corporation shall not have any obligation or liability whatsoever to Homeowner in the event any price changes directly or indirectly affect the value of the Condominium.

17.13 Notice of Sex Offender Database. Pursuant to Section 290.46 of the California Penal Code, information about specified registered sex offenders is made available to the public via an internet website maintained by the California Department of Justice at www.meganslaw.com. Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides. Homeowner is solely responsible for making his or her own investigation. Corporation makes no representations, warranties or guarantees regarding the presence or absence of registered sex offenders within the Project, on the Cal Poly campus or in the surrounding area, and has no obligation or duty to investigate existing residents or buyers to determine whether they are sex offenders, and does not intend on doing so.

18. NONSUBORDINATION AND PERMITTED ENCUMBRANCES.

18.1 Nonsubordination of Ground Lease and Sublease. The Ground Lease and this Sublease shall be prior liens against the Community Common Area in respect to any loan, mortgage, deed of trust, other lease, lien or encumbrance that may hereafter be placed on Homeowner's Sublease Parcel.

18.2 Permitted Encumbrances by Homeowner.

18.2.1 Right to Encumber. Homeowner shall have the right, without obtaining the consent of either Corporation or the Trustees, to mortgage or assign all or part of Homeowner's subleasehold interest under this Sublease pursuant to a deed of trust or other appropriate security instrument (collectively, a "Deed of Trust") as security to any Lender or Lenders that have advanced funds (not to exceed the Maximum Resale Price) to Homeowner under a promissory note. In such event, Corporation shall execute all necessary documents reasonably required by such Lender that are consistent with the terms of this Sublease; provided, however, that Corporation shall not be required to sign any note or deed of trust or otherwise become obligated to any Lender; and provided, further, that no such encumbrance shall constitute a lien upon the Trustees' fee interest or Corporation's leasehold interest in the Project.

18.2.2 Notices to and by Lender. Concurrently with the execution of any Deed of Trust, Homeowner shall furnish to Corporation the name and address of the holder of the Deed of Trust. Corporation shall thereafter send to such Lender a duplicate copy of any notices that Corporation may give to Homeowner with respect to any default hereunder. Homeowner shall also furnish to such Lender the address for delivery of notices to Corporation.

18.2.3 Request for Notices. Upon the recording of any Deed of Trust, Corporation shall have the right, at Homeowner's expense, to record in the office of the San Luis Obispo County Recorder a request for notice of default under California Civil Code Section 2924b, executed and acknowledged by Corporation, for a copy of all notices of default and all notices of sale under such Deed of Trust. Inclusion in the recorded Deed of Trust itself of a requirement for notices to be sent to Corporation shall constitute compliance with this provision.

18.2.4 Foreclosure Transferee's Rights After Notice to Corporation. Subject to Sections 18.2.6 and 18.2.7, any Foreclosure Transferee that acquires the Sublease Parcel and the Condominium by foreclosure or deed in lieu of foreclosure may assign or transfer the Condominium to any Qualified Buyer (but such assignment or transfer need not be in accordance with the priority system set forth in Exhibit C). Such Qualified Buyer shall notify the Corporation of the assignment or transfer within thirty (30) days of its occurrence (the "Foreclosure Resale Notice").

18.2.5 Assumption of Loan by Corporation. If the note described in Section 18.2.1 provides that it is assumable, Corporation may assume and perform Homeowner's obligations thereunder in the event of any termination of this Sublease by Corporation upon a default by Homeowner or any reacquisition of the Condominium by Corporation pursuant to Section 15 or 16. Corporation's rights under this Section shall not be assignable by Corporation to any other Person, except a lender of Corporation, unless Lender otherwise agrees to any said assignment. If the Note described in Section 18.2.1 does not provide that it is assumable and, instead, is subject to acceleration of the maturity date on a transfer of the Condominium to a Successor Homeowner, then such Note shall be paid in full through escrow at closing for the acquisition of the Condominium by Corporation pursuant to Sections 15 or 16.

18.2.6 Corporation Option to Purchase Lender's Mortgage in the Event of a Homeowner Default. At any time after a Lender records a Notice of Default under a deed of trust on a Condominium and before a foreclosure sale or deed in lieu of foreclosure transaction is completed, Corporation may request that the Lender assign its note and deed of trust to Corporation. If Corporation desires to make such a request, it shall so notify the Homeowner and Lender in writing, and request Lender to provide Corporation and the Homeowner with a demand itemizing all sums due Lender on the day of issuance and on a daily basis thereafter. If Lender accepts such request, Corporation shall tender payment of the full Loan Amount prior to the foreclosure sale.

18.2.7 Corporation Consent to Transfer on Foreclosure Not Required. The written consent of Corporation shall not be required to any assignment or other transfer of Homeowner's Sublease Parcel and the Condominium by way of foreclosure sale or deed in lieu of foreclosure. The Foreclosure Transferee need not obtain further consents from Corporation upon any subsequent sale, assignment, or other transfer of a Sublease Parcel and the

Condominium by such Foreclosure Transferee. In the event of such a resale, the person buying the Condominium shall be entitled to enter into a new Sublease with the Corporation, provided that Sections 15 and 16 shall no longer apply to the Foreclosure Transferee and its subsequent transferees.

18.2.8 No Termination Without Consent of Lender. Except for termination by reason of Homeowner's default hereunder, there shall be no modification, mutual termination or surrender of this Sublease by Corporation and Homeowner without the prior written consent of each Lender that is a recorded beneficiary of a Deed of Trust and whose interest could be affected by such action.

18.2.9 Foreclosure Transferee Acquires Interest in Condominium. In the event that any Foreclosure Transferee subsequently assigns or transfers the Sublease Parcel and the Condominium after acquiring the same by foreclosure or deed in lieu of foreclosure and, in connection with any such assignment or transfer, the Foreclosure Transferee takes back a deed of trust encumbering the Condominium to secure a portion of the purchase price given to the Foreclosure Transferee for such assignment or transfer, then such deed of trust (notwithstanding whether or not it is in a first lien position) shall be considered a Deed of Trust as contemplated hereunder, and the Foreclosure Transferee shall be entitled to receive the benefit of and enforce the provisions of this Section 18.2 and any other provision of this Sublease intended for the benefit of the holder of such a Deed of Trust.

18.3 Corporation Right to Further Encumber. Corporation shall have the right, from time to time, to execute and record new trust deeds on the Community Common Area and to require Homeowner and any Lender to subordinate his or her leasehold interest and/or security interest hereunder to the lien thereof, on demand, provided Corporation concurrently causes the new lender to execute and deliver to Homeowner and his or her Lender a non-disturbance and attornment agreement in form and substance reasonably satisfactory to the Lender, and the same is executed by Homeowner and/or the Lender.

18.4 Reimbursement Agreement. Homeowner and Corporation shall execute a Reimbursement Agreement, substantially in the form attached hereto as Exhibit F and incorporated herein, which provides Corporation the authority to make payments to cure a default or delinquency on the loan secured by the Deed of Trust, on the condition that the Homeowner agrees to reimburse Corporation for any payments made to cure a default or delinquency on such loan. The Reimbursement Agreement shall provide for the Homeowner to reimburse Corporation for any payments made to cure a default or delinquency on the loan secured by the Deed of Trust. In no event, however, shall Corporation be obligated to cure any such default. The Reimbursement Agreement shall be secured by the Corporation Deed of Trust, in the form of Exhibit G hereto, recorded as an encumbrance to the Condominium and Homeowner's Sublease Parcel, which shall be junior and subordinate to the permitted Deed of Trust.

19. DEFAULT AND TERMINATION.

19.1 Default by Homeowner.

19.1.1 Corporation Right to Terminate. Subject to the provisions of Section 19.1.2, if Homeowner shall fail to remedy any default in the payment of Rent due under this Sublease for thirty (30) days after notice of such default, or fail to remedy any default with respect to any of the other provisions, covenants or conditions of this Sublease to be kept or performed by Homeowner within sixty (60) days after notice of such default, or such additional time as is reasonably required to cure such default, Corporation shall have the right to terminate this Sublease and Homeowner's right to possess the Community Common Area by giving notice of such termination to Homeowner and any Lender under a Deed of Trust; provided that as a condition to Corporation's termination of this Sublease, Corporation shall repurchase the Condominium from Homeowner, in the manner set forth in Section 16 hereof, prior to the Corporation's termination of this Sublease. The proceeds from Corporation's repurchase of the Condominium shall be used first to pay all sums due to the Lender prior to the Corporation's termination of this Sublease, and Corporation shall thereupon obtain from such Lender a reconveyance of the Deed of Trust from the Lender.

19.1.2 Lender's Rights. Notwithstanding anything to the contrary in this Sublease, Corporation shall not take any action to terminate this Sublease due to any default or breach on the part of Homeowner if any Lender under a Deed of Trust:

a. within thirty (30) days after the giving of notice to the Lender by Corporation of Corporation's intention to terminate this Sublease for such default or breach, shall cure such default or breach if the same can be cured by the payment or expenditure of money; or

b. shall diligently take action to obtain possession of Homeowner's Sublease Parcel (including possession by receiver) and to cure such default or breach in the case of a default or breach that cannot be cured unless and until the Lender has obtained possession; or

c. if such default or breach is not curable as provided under subsection 19.1.2.a or 19.1.2.b, shall institute and complete judicial or nonjudicial foreclosure proceedings or otherwise acquire Homeowner's interest with due diligence, and keep and perform all of the covenants and conditions of this Sublease requiring the payment or expenditure of money by Homeowner until such time as Homeowner's interest shall be sold upon foreclosure pursuant to the Deed of Trust or shall be released or reconveyed thereunder, provided that Lender shall not be required to continue such action for possession or such foreclosure proceedings if such default or breach shall be cured by Homeowner, and provided, further, that if such Lender shall fail or refuse to comply with the conditions of this subsection, Corporation shall be released from the covenant of forbearance set forth in this subsection.

19.2 Remedies of Corporation.

19.2.1 Recovery. If Corporation terminates this Sublease in accordance with the provisions of Section 19.1, Corporation may recover from Homeowner: (i) unpaid Rent earned at the time of termination, which termination shall be treated as if an assignment of Homeowner's Sublease Parcel and a sale of the Condominium had occurred; (ii) all other amounts then owed to Corporation; and (iii) any other amount necessary to

compensate Corporation for all the detriment proximately caused by Homeowner's failure to perform his or her obligations under this Sublease.

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

19.2.3 Late Fee. If any Basic Rent, Additional Rent or Transfer Fee is not paid within fifteen (15) days of the due date, Homeowner shall pay a late fee of Twenty Dollars (\$20). In addition, if any Basic Rent or Additional Rent is not paid when due it shall bear interest at the maximum Interest Rate from the due date until the date received by Corporation; provided, however, that payment of any late fee pursuant to this Section shall not excuse or cure any default by Homeowner under this Sublease. Any late charge or interest due hereunder shall be payable as Additional Rent.

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

19.4 Attorneys' Fees. In the event of any claim, dispute or controversy arising out of or relating to this Sublease, including an action for declaratory relief, the prevailing party in such action or proceeding shall be entitled to recover his/her court costs and reasonable out-of-pocket expenses not limited to taxable costs, including but not limited to costs of telephone calls, photocopies, expert witness, travel, etc., and reasonable attorneys' fees to be fixed by the court. Such recovery shall include court costs, out-of-pocket expenses and attorneys' fees on appeal, if any. The court shall determine the "prevailing party", whether or not the dispute or controversy proceeds to final judgment. If either party is reasonably required to incur such out-of-pocket expenses and attorneys' fees as a result of any claim arising out of or concerning this Sublease or any right or obligation derived hereunder, then the prevailing party shall be entitled to recover such reasonable out-of-pocket expenses and attorneys' fees whether or not an action is filed.

19.5 Default by Corporation.

19.5.1 No Termination of Sublease by the Trustees. The Trustees have agreed not to take any action to terminate this Sublease because of any default or breach on the part of Corporation under the Ground Lease.

19.5.2 Non-Disturbance and Attornment. In the event the Trustees terminate the Ground Lease because of a default by Corporation, the Trustees have agreed in the Ground Lease that this Sublease shall continue in full force and effect to the extent that Homeowner agrees to fulfill the terms of this Sublease and to recognize the Trustees as the sublessor under this Sublease, with all of the rights and obligations of Corporation hereunder. The Trustees have agreed, if requested by Homeowner, to execute a Non-Disturbance and Attornment Agreement in favor of Homeowner.

19.6 Failure of Homeowner to Perform Required Acts. If at any time during the Term of this Sublease Homeowner fails or refuses to perform any actions required of Homeowner hereunder, including abiding by the Community Guidelines, Corporation shall have the right but not the obligation to perform the same, but at the cost of and for the account of Homeowner, provided that Corporation shall in no case take such action sooner than thirty (30) days after giving Homeowner written notice of such failure or refusal, and allowing such period within which Homeowner may commence a bona fide effort to cure the same, except in the event of an emergency in which case no notice to Homeowner is required. The amount of any money expended by Corporation pursuant to this Section 19.6, together with interest at the Interest Rate, shall be deemed Additional Rent, and shall be paid to Corporation by Homeowner upon demand. Nothing contained in this Section 19.6 shall diminish the rights of Corporation with regard to defaults under Section 19.1 or with regard to remedies under Section 19.2 of this Sublease or as granted Corporation in the Community Guidelines.

19.7 Lender's Rights. In the event that any Lender acquires the Sublease Parcel by foreclosure or deed in lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as Homeowner as set forth in this Section 19.

20. END OF TERM.

20.1 Surrender of Sublease Parcel. Upon the expiration or sooner termination of this Sublease, Homeowner shall quit and surrender the Condominium and Sublease Parcel to Corporation (or to the Trustees if the Ground Lease has terminated or expired), without further obligation on the part of either party to this Sublease, free and clear of all liens and encumbrances other than easements created by or with the approval of Corporation. Upon the expiration or sooner termination of this Sublease, title to and ownership of the Condominium shall automatically vest in Corporation (or to the Trustees if the Ground Lease has terminated or expired), without the execution of any further instrument. No compensation shall be paid to Homeowner in consideration for the conveyance of the Condominium to the Corporation upon the expiration of the Term of this Sublease. As provided in Section 19.1.1 hereof, Corporation shall repurchase the Condominium from Homeowner, in the manner set forth in Section 16 hereof, concurrently with the earlier termination of the Sublease.

20.2 Right to Remove Personal Property. Upon the expiration or sooner termination of this Sublease, Homeowner shall have the right to remove any and all of Homeowner's personal property (but not any attached appliances, wall or window coverings, lighting fixtures, security systems or other fixtures) from the Unit and Exclusive Use Areas, provided that Homeowner shall be responsible for any resultant damage. Any personal property that is not

removed by the Expiration Date or termination date, as applicable, shall become the property of Corporation or the Trustees, as appropriate.

21. CONDEMNATION.

21.1 Restoration Not Possible. If during the Term of this Sublease, the Condominium and/or any of Homeowner's interests in the Sublease Parcel shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Unit or entire Project shall be taken, but it shall be reasonably determined by Corporation that the Unit and/or Project cannot at a reasonable expense be repaired, restored or replaced to a condition suitable for residential purposes, the rights of the Corporation and Homeowner in and to the award upon any such taking shall be determined in accordance with Section 21.4, and thereafter Homeowner, at Homeowner's option, may terminate this Sublease as of the date of such taking.

21.2 Restoration Possible. If less than the entire Unit or Project shall be taken as a result of the exercise of the right of eminent domain and it is determined by Corporation that the Unit and Project can be repaired, restored or replaced to a condition suitable for residential purposes, this Sublease shall not terminate but shall continue in full force and effect for the remainder of its Term; provided, however, that Rent shall be equitably adjusted by Corporation to reflect any decrease in the size of the Unit and reduction in the value of Homeowner's interest in the Common Area and Community Common Area. The rights of the Corporation, the Trustees and Homeowner in and to the award upon any such taking shall be determined in accordance with Section 21.4. To the extent condemnation proceeds are available to Homeowner, Homeowner shall assign and deliver such proceeds to Corporation, and Corporation shall then, with due diligence, restore, repair and replace that portion of the Unit and Project not so taken to a condition suitable for residential purposes, having due regard for the design, construction and character of the Unit and Project existing before such taking and shall attempt to make such repairs within six (6) months, but may take such longer time as is reasonably required.

21.3 Temporary Taking. If all or any portion of the Unit and/or Project shall be taken by the exercise of the right of eminent domain for governmental occupancy for a limited period of time, this Sublease shall not terminate and Homeowner shall continue to perform and observe all of his or her obligations as though such taking had not occurred, except to the extent that Homeowner may be prevented from so doing by reason of such taking. Homeowner shall in no event be excused from the payment of Rent and all other sums and charges required to be paid under this Sublease.

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

21.4.1 In the event of any taking that may result in the termination of this Sublease in accordance with the provisions of this Section 21, then the Corporation, the Trustees and Homeowner (subject to the rights of any Lender) shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests in the Unit, Common Area and Community Common Area, and the termination of this Sublease shall not occur until the final resolution of such proceedings.

21.4.2 In the event of any taking of a portion of the Unit or of the Common Area or Community Common Area that will not result in the termination of this Sublease in accordance with the provisions of this Section 21, then the Corporation, the Trustees and, subject to the rights of any Lender, Homeowner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests affected by such taking.

21.5 Definition. As used in this Section 21, the phrase “taken as a result of the exercise of the right of eminent domain” shall mean a taking or damaging by eminent domain, or by inverse condemnation, or by deed or transfer in lieu thereof, for any public or quasi-public use under any statute or law. At Homeowner’s election, the taking shall be considered to have taken place as of the earlier of (i) the date actual physical possession is taken by the condemnor; (ii) the date on which the right to compensation and damages accrues under the applicable law; or (iii) the date on which title vests in the condemnor.

21.6 Lender’s Rights. In the event that any Lender acquires an interest under this Sublease by foreclosure or deed in lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as Homeowner as set forth in this Section 21. In the event the Lender is entitled under the Note and/or Deed of Trust from the Homeowner to be paid any condemnation proceeds to which Homeowner is entitled by reason of the taking of the Unit, then nothing in this Sublease shall be deemed as interfering with the right of the Lender to be paid such condemnation proceeds.

22. MISCELLANEOUS.

22.1 Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Sublease by reason of acts of God, strikes, lockouts, or labor troubles, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided that nothing in this Section 22.1 shall excuse Homeowner from the prompt payment of any Rent or other charge required of Homeowner. The party delayed or prevented from the performance of any act shall notify the other of such delay or prevention within ten (10) days of its inception, and shall thereafter keep such party regularly informed of the status of such delay or prevention.

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

22.3 Binding Effect. The provisions of this Sublease shall bind the heirs, executors, administrators, successors and assigns of the original parties to this Sublease, provided that nothing in this Section 22.3 shall be deemed to authorize or permit the assignment of any interest in this Sublease other than in strict compliance with the provisions of this Sublease.

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

22.4.1 All notices to Homeowner shall be delivered or mailed to such address as Homeowner has designated in Exhibit H to this Sublease or to such other address as Homeowner shall designate from time to time to Corporation by notice delivered in accordance with this Section 22.4, provided that if no such address is so designated, such address shall be deemed to be the address of the Condominium.

22.4.2 In the event that Corporation has been notified of the interest of a Lender pursuant to Section 18.2 of this Sublease, then any notice sent to Corporation or Homeowner shall be effective and deemed given only if a copy of such notice is simultaneously hand delivered or sent to such Lender by registered or certified mail, return receipt requested, at an address previously provided by Homeowner or such Lender.

22.5 Memorandum of Sublease. Concurrently with the execution of this Sublease, the parties shall execute, acknowledge and record through Escrow Holder a Memorandum of Sublease in the form attached hereto as Exhibit I.

22.6 Nonmerger of Fee and Leasehold Estates. In the event that during the Term of this Sublease, the Trustees' fee interest in the real property in the Project and any subordinate leasehold interest in the Project become vested in the same owner, or both Corporation's leasehold interest in the Community Common Area and any subordinate subleasehold interest of Homeowner in the Community Common Area become vested in the same owner, neither the Ground Lease nor this Sublease shall be extinguished by application of the doctrine of merger except at the express election of such owner.

22.7 Captions, Gender and Number.

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

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

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

22.9 Unenforceability or Invalidity of Provision. In the event and to the extent that any provision of this Sublease should be found invalid, void or unenforceable by a court of competent jurisdiction, or is so rendered by legislative or administrative action, the validity of the remainder of this Sublease shall not be affected and shall remain in full force and effect as if this Sublease had been executed with the portion held to be invalid, void or unenforceable eliminated. To accomplish the intentions of the parties as expressed in this Sublease, the parties shall, if necessary, conclude a modification to this Sublease, on terms that are reasonable and that

will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void or unenforceable.

22.10 Entire Agreement; Amendments. This Sublease contains all of the agreements between Corporation and Homeowner relating in any manner to the subject matter of this Sublease. No prior agreement or understanding with respect to the same shall be valid or of any force or effect, and, except as expressly provided in this Sublease, no provision of this Sublease shall be altered or added to, except in writing, signed by Corporation and Homeowner, and with the written consent of any Lender of Homeowner. No representation, inducement or understanding of any nature made, stated or represented on behalf of either party to this Sublease, either orally or in writing, has induced the other party to enter into this Sublease, except as set forth in this Sublease.

22.11 Waiver. The waiver by any party of a breach by the other party of any term, covenant or condition hereof shall not operate as a waiver of any subsequent breach of the same or any other term, covenant, or condition thereof.

22.12 Counterparts. This Sublease may be executed in any number of counterparts, each of which shall be deemed an original, and all of which shall together constitute the agreement of the parties. It is also agreed that separate counterparts of this Sublease may separately be executed by the parties, all with the same force and effect as though the same counterpart had been executed by both parties.

22.13 Amendments to Parcel Descriptions. Corporation shall have the right from time to time to amend the description of the Sublease Parcel and the real property in the Project; provided, however, that no amendment shall alter the boundaries of Homeowner's undivided leasehold interest in the Community Common Area without the approval of Homeowner.

22.14 Assignment and Delegation by Corporation. Notwithstanding any other provision of this Sublease, Corporation reserves the right to assign and delegate its rights and duties under this Sublease.

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

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

CAL POLY CORPORATION
A California Tax-Exempt Public Benefit Corporation

HOMEOWNER(S)

By: _____

Name:

Title:

Address

City

State

Zip

EXHIBIT LIST

<u>Exhibit</u>	<u>Description</u>
Exhibit A	Legal Description of Homeowner's Sublease Parcel
Exhibit B	Basic Rent
Exhibit C	Eligibility and Priority System and Offering Procedures
Exhibit D	Approved Capital Improvements
Exhibit E	Repurchase Option Events
Exhibit F	Homeowner Reimbursement Agreement
Exhibit G	Deed of Trust with Assignment of Rents
Exhibit H	Addresses for Delivery of Notices
Exhibit I	Memorandum of Sublease, Grant Deed to Improvements and Declaration of Easements
Exhibit J	Modification of Sublease Provisions

EXHIBIT A TO GROUND SUBLEASE

LEGAL DESCRIPTION OF HOMEOWNER'S SUBLEASE PARCEL

AN UNDIVIDED 1/69 SUBLEASEHOLD INTEREST IN ALL THAT CERTAIN PARCEL OF LAND AS SET FORTH ON MAP OF RESIDENTIAL UNIT PLAN NO.1 IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA, AS RECORDED IN BOOK 1 OF MISCELLANEOUS MAPS PAGE(S) 60-61 INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT B TO GROUND SUBLEASE

BASIC RENT

Homeowner shall pay Corporation on or before the first day of every month, one-twelfth of the Rent Percentage (as specified below) times the value of the Homeowner's Sublease Parcel ("Community Common Area Value").

(A) For the first five (5) years of the Term, current monthly Basic Rent shall be one-twelfth of the Rent Percentage times the "Initial Community Common Area Value," as specified below.

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

Initial Community Common Area Value: \$ _____ as of Commencement Date
Rent Percentage: 4% per annum

Initial Annual Basic Rent (Years 1 through 5): \$ _____

Initial Monthly Basic Rent Installment (Years 1 through 5): \$ _____

EXHIBIT C TO GROUND SUBLEASE

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

Exhibit C describes the eligibility and priority system and procedures for Homeowner's sale of the Condominium, current as of the date of this Sublease. Such system and procedures are subject to modification at any time by Corporation, and, in addition, Corporation may promulgate and distribute regulations, from time to time, to implement the eligibility and priority system and procedures, which regulations will be binding on Homeowner; provided, however, that no such regulations shall extend the total of any required offering periods, when combined with Corporation's Right of First Refusal in Section 15.2 to a period in excess of one-hundred eighty (180) days.

Priority and Eligibility Limitations

1. Priority

A. Definitions

Appointment Effective Date: This is the date that the individual is first appointed to a position at Cal Poly or a Cal Poly auxiliary and does not include an appointment of an existing employee to a new position on campus.

Auxiliary: CSU auxiliary organization as defined in Title 5 of the California Code of Regulations.

Back-up Market: Includes an employee of a Public Education Institution, Public Agency, Other CSU or CSU auxiliary, or the general public. A member of the Back-up Market is qualified only under Priority Groups 21-24. (See Section B. Table 1.)

Cal Poly Employee – Full-time, 1 yr: Cal Poly or Cal Poly auxiliary employee with a one-year full time appointment.

Coach – Full-time, 3 yr: Cal Poly Athletics coach with a three-year full time coaching contract.

Condominium: Condominium means an estate in real property and consists of an undivided interest in the Common Area together with a separate ownership interest in a Unit.

Faculty (Cal Poly) includes:

Probationary academic ranked faculty: A faculty member who has accepted an appointment to a tenure-eligible position (academic rank, librarians and

academically related counselors) and is serving a period of probation (normally a six year period).

Tenured faculty: A full-time faculty member who has been awarded tenure in a tenure-eligible position.

Homeowner: As defined in the Ground Sublease, Homeowner means each owner of a Condominium. The property rights held by a Homeowner consist of (i) an undivided subleasehold interest in the Community Common Area, (ii) fee simple interest in a Condominium, and (iii) Exclusive Use Area easements appurtenant to the Condominium.

Lecturers- Full time, 3yr: Cal Poly instructional faculty member with a three-year full-time teaching contract.

Management Employee: Full-time employee holding a management position at Cal Poly or equivalent administrative position with a Cal Poly auxiliary.

New Recruit: Cal Poly or Cal Poly auxiliary employee or candidate of an active recruitment, who has been given an offer of employment with an employment effective date on or after the start of the current fiscal year (July-June), or as designated annually by the Corporation Board.

Non-Owner of Real Property: Eligible buyer who does not own real property, wholly or in part, within San Luis Obispo or Santa Barbara counties.

Other Cal Poly Employee: Cal Poly or Cal Poly auxiliary employee who is eligible for the housing program but does not qualify as a New Recruit or Primary Retention Employee.

Other CSU or CSU Auxiliary Employee: A full-time employee of another CSU campus or CSU auxiliary.

Primary Retention Employee: Cal Poly employee whose appointment effective date is within three (3) years or less of the current fiscal year, or as designated annually by the CPC Board, and is no longer considered a New Recruit.

Primary Market: “New Recruit” and “Primary Retention Employee” as set forth in Section B. Table 1.

Public agency employee: A permanent full-time employee, or equivalent, with a state or local governmental agency located within San Luis Obispo County.

Public education institution employee: A permanent full-time employee, or equivalent, of a San Luis Obispo County public K-12 institution, Cuesta College, or Alan Hancock College.

Staff: A permanent or probationary employee at Cal Poly, or the equivalent for a Cal Poly auxiliary, appointed to a staff position and if applicable, serving a period of probation.

Unit: Unit is a separate estate, as separately shown, numbered, and designated on the Condominium Plan. Each Unit is composed of a living element, and a garage element.

B. Classification of Applicants

To meet the goals of CPC, applications are classified in accordance with CPC Priority definitions and placed in Priority Groups as shown in Table 1 and 2 below. CPC plans to employ a selection process to further prioritize within each group if there are more applicants than homes available. Selection dates will be established annually by the CPC Board.

TABLE 1

	PRIORITY GROUPS			
	FACULTY	MANAGEMENT	STAFF	LECTURER/ COACH
NEW RECRUIT	1 st Priority	3 rd Priority	5 th Priority	7 th Priority
PRIMARY RETENTION	2 nd Priority	4 th Priority	6 th Priority	8 th Priority
OTHER CAL POLY EMPLOYEE	9 th Priority	10 th Priority	11 th Priority	12 th Priority
CAL POLY EMPLOYEE ONE YEAR APPTS	13 th Priority	14 th Priority	15 th Priority	16 th Priority
CAL POLY EMPLOYEES W/REAL PROPERTY IN SLO & SANTA BARBARA COUNTIES	17 th Priority	18 th Priority	19 th Priority	20 th Priority

Notes to Table 1:

- The President has discretionary authority to designate a limited number of Condominiums for University interest prior to the CPC selection process.
- Applicants in Priority Groups 1-16 must be “Non-Owners of Real Property” in San Luis Obispo or Santa Barbara counties as defined in Appendix A.

TABLE 2

BACK-UP MARKET PRIORITY GROUPS			
PUBLIC EDUCATION INSTITUTION EMPLOYEE WITHIN SLO COUNTY	PUBLIC AGENCY EMPLOYEE WITHIN SLO COUNTY	OTHER CSU & CSU AUXILIARY EMPLOYEE	GENERAL PUBLIC
21 st Priority	22 nd Priority	23 rd Priority	24 th Priority

Notes to Table 2:

- Sales to the back-up market must be approved by Corporation Board of Directors.

2. Eligibility Limitations.

- A. Recruits.** Persons are eligible to apply with a written offer of employment but must be an employee or have a fully executed employment contract by close of escrow.

3. Sales Procedures.

The following are the procedures for the resale of Condominiums. Note that any offering of resale Condominiums to the Back-Up Market (Table 2), shall require the prior certification of the Corporation Board that such sale is in accordance with the Ground Sublease and these Procedures, and that efforts have been made to market the Condominium to higher priority groups as required by the Ground Sublease and these Procedures. Homeowner shall offer the Condominium for sale to prospective successor Homeowners in accordance with the following procedures. In all cases, Homeowner shall accept substantially equivalent pending offers in the priority order as shown in Table 1 above. At each step in the offering process described in this Section 3, Homeowner’s interest in the Condominium must be offered for sale on terms and conditions which are, in all material respects, no more favorable to the purchaser than the terms and conditions offered to higher-priority purchasers. In addition to its other rights, Corporation shall be deemed to be an eligible successor Homeowner during any step in the offering process described herein.

- A. Primary Market:** For a period of at least sixty (60) days following the expiration or written waiver of Corporation’s Repurchase Option, Homeowner must offer the

Condominium for sale to Table 1 employees. For the first thirty (30) days of that sixty (60) day period, Homeowner's interest in the Condominium may only be offered for sale to the Primary Market, as defined above.

- B. Back-up Market:** Upon expiration of the sixty (60) day period described above, Homeowner's interest in the Condominium may be offered for sale to the Back-Up Market (Table 2), as well as to Table 1.

EXHIBIT D TO GROUND SUBLEASE

APPROVED CAPITAL IMPROVEMENTS

The following is the initial list of Approved Capital Improvements:

INTERIOR IMPROVEMENTS

EXTERIOR IMPROVEMENTS

Description

Description

Built-In Appliances
Built-In Cabinets
Interior door upgrades
Intercom system
Flooring upgrades
Counter top upgrades
Garage storage
Closet system
Security system
Water softening system
Ceiling fans

Exterior door upgrades
Screen doors

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

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

All Approved Capital Improvements require building permits from Cal Poly prior to installation. If installation is completed without such permits, then improvement will not be included in the Approved Capital Improvement appraisal calculation upon resale.

EXHIBIT E TO GROUND SUBLEASE

REPURCHASE OPTION EVENTS

I. Repurchase Option Events. Each of the following constitutes Repurchase Option Events for the purposes of Section 16 of the Ground Sublease. The time when the Corporation may first exercise its Repurchase Option for each type of event is described below also.

A. A change in the employment status of the Homeowner who received priority to purchase the Condominium by virtue of that employment status and who no longer would qualify to purchase the Condominium due to the change in that status:

1. Resignation. Corporation may exercise its Repurchase Option beginning six (6) months after the date of the Homeowner's resignation.
2. Termination. Corporation may exercise its Repurchase Option beginning six (6) months after the date of the Homeowner's termination.
3. Nonrenewal of Contract. Corporation may exercise its Repurchase Option beginning six (6) months after the date of nonrenewal of the Homeowner's contract.
4. Retirement. Corporation may exercise its Repurchase Option beginning twelve (12) months after the date of the Homeowner's retirement.

B. The death of the Homeowner who received priority to purchase the Condominium by virtue of that employment status. Corporation may exercise its Repurchase Option beginning twelve (12) months after the date of the Homeowner's death.

C. Title to the Condominium voluntarily or involuntarily (by operation of law, or otherwise) becomes held less than 50% by the original purchaser. Corporation may exercise its Repurchase Option beginning thirty (30) days after the date of such change of title.

D. If the occupancy rights to the Condominium are awarded to a former spouse or other co-owner of the Condominium or other person through a divorce, legal separation or other legal proceeding and the person so awarded the occupancy rights is not an eligible purchaser under the program's Priority System. Corporation may exercise its Repurchase Option beginning six (6) months after the date of the award of such occupancy rights.

E. If Homeowner was a member of the "Back-up Market" according to the program's Priority System, a Repurchase Option Event will occur on the fifth (5th) anniversary of the initial purchase, and Corporation's exercise of its Repurchase Option may begin on such fifth anniversary, unless the Homeowner is then a current employee of Cal Poly or a Cal Poly auxiliary.

F. If Homeowner purchases the Condominium from a Foreclosure Transferee, and at the time of acquisition the Homeowner was a member of the general public according to the

program's Priority System, a Repurchase Option Event will occur on the fifth (5th) anniversary of the initial purchase, and Corporation's exercise of its Repurchase Option may begin on such fifth anniversary, unless the Homeowner is then a current employee of Cal Poly or a Cal Poly auxiliary.

G. Homeowner defaults on a Permitted Encumbrance, or on a loan made or guaranteed by the Corporation in connection with Homeowner's acquisition of the Condominium. Corporation may exercise its Repurchase Option beginning the date of such default, but Corporation's exercise of the Repurchase Option shall be deemed revoked if such default is cured prior to the close of escrow of the Corporation's repurchase of the Condominium.

H. Homeowner is in default of the Principal Residence requirement and fails to cure such default after notice from Corporation within the required timeframe. Corporation may exercise its Repurchase Option beginning on the day after the expiration of the cure period for such default.

I. Homeowner is in material default of any of its other obligations under this Sublease, and fails to cure such default after notice from Corporation within the required timeframe. Corporation may exercise its Repurchase Option beginning on the day after the expiration of the cure period for such default.

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

A. If Homeowner is an eligible Homeowner as a result of his or her employment status and there is a change in Homeowner's employment status where the employee becomes temporarily or permanently disabled and terminates employment, goes on leave, or the employee's time commitment to the employer is reduced as a direct result of such temporary or permanent disability. For purposes of this requirement, a disability is a physical or mental impairment that substantially limits one or more major life activities, within the meaning of 42 U.S.C. Section 12102 of the Americans With Disabilities Act.

B. Acquisition of fifty percent (50%) or less of the total interest in the Condominium by a person who, acting alone, would not have qualified to purchase the Condominium at the time it was purchased, if the remainder of the ownership interest in the Condominium is owned by the person who was eligible to purchase the Condominium under the program's priority system per Exhibit C.

C. The following transfers will not be deemed to be a conveyance under paragraph I(c) above: (i) a transfer to an inter vivos trust for which the Homeowner and/or his or her spouse or registered domestic partner is the trustee with the exclusive right to live in the Condominium for life, or (ii) a transfer of a remainder interest to a spouse, registered domestic partner and/or linear descendants reserving a life estate and the exclusive right of occupancy, or (iii) a transfer into joint tenancy with the Homeowner's spouse, registered domestic partner, or linear descendants, with an agreement giving the Homeowner the exclusive right to live in the Condominium for life, or (iv) a transfer of up to fifty percent (50%) co-tenancy interest to a person other than the Homeowner's

spouse, registered domestic partner and/or linear descendants, reserving exclusive occupancy for life.

D. Homeowner is not using the Condominium as a Principal Residence during an approved sabbatical leave from Cal Poly, approved leave of absence, or loss of use predicate to and during timely reconstruction necessitated by damage or destruction of the Unit.

E. Homeowner is not using the Condominium as a Principal Residence, but Homeowner is a Foreclosure Transferee.

EXHIBIT F TO GROUND SUBLEASE

HOMEOWNER REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of _____, 201__ (the “Reimbursement Agreement”), is hereby entered into by and between the **CAL POLY CORPORATION**, a California nonprofit public benefit corporation (the “Corporation”), and _____ (the “Homeowner”).

RECITALS

A. The Cal Poly Housing Corporation, an auxiliary organization of California Polytechnic State University, San Luis Obispo (“Cal Poly”), was created in order to implement an employee housing program (the “Program”) at Cal Poly. The primary objectives of the Program are to promote the educational purposes and to strengthen the educational programs of Cal Poly by fostering employee recruitment, retention, productivity, participation, collegiality and quality of life through the establishment of a high quality, continually affordable residential community near the workplace.

B. The Cal Poly Housing Corporation developed a condominium project on certain real property leased by the Corporation from the Trustees of the California State University which is located in the County of San Luis Obispo, California (“Bella Montaña”).

C. The assets and liabilities of the Cal Poly Housing Corporation were assigned and transferred to the Cal Poly Corporation as of February 10, 2012, and the Cal Poly Housing Corporation (“Housing Corporation”) was dissolved as of that date. Cal Poly Corporation is the successor and assignee of the Cal Poly Housing Corporation (“Corporation”) of all its rights, duties, contracts and responsibilities.

D. The Homeowner is purchasing a Bella Montaña Condominium (the “Condominium”) from the Corporation consisting of an undivided interest in the Common Area together with a separate ownership interest in a Unit. Homeowner is also ground subleasing from the Corporation an undivided subleasehold interest in the Community Common Area of “Bella Montaña” (the “Sublease Parcel”) pursuant to a Ground Sublease between the Corporation and the Homeowner. The Homeowner is obtaining a loan (the “Loan”) from a private lender (the “Lender”) for a portion of the costs of acquisition of the Condominium. The address of the Condominium, and a description of the Loan are set forth in Exhibit “A” hereto, which is incorporated herein.

E. The Ground Sublease provides that the Corporation may make payments to cure a default or delinquency on the Loan.

F. The ability to make payments to cure a default or delinquency on the Loan will be of benefit to the Corporation by minimizing the transfer of Bella Montaña Condominiums by foreclosure sale to persons other than Cal Poly faculty and staff, and will be of benefit to the Homeowner by protecting the Homeowner against the Lender’s foreclosure of the Condominium in the event Homeowner is in default in the repayment of the Loan.

G. The Corporation desires to obtain the authority to make payments to cure a default or delinquency on the Loan, on the condition that the Homeowner agrees to reimburse the Corporation for any payments made to cure a default or delinquency on the Loan. In order to induce the Corporation to obtain the authority to make payments to cure a default or delinquency on the Loan, the Homeowner is willing to agree to reimburse the Corporation for any payments made to cure a Loan default or delinquency. The Homeowner understands and acknowledges that the Corporation would not make payments to cure a Loan default or delinquency but for the Homeowner's agreement to make such reimbursements to the Corporation, as provided herein.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed by and between the parties hereto as follows:

1. Cure of Loan Default. The Corporation hereby has the right, but not the obligation, to make payments to the Lender to fully or partially cure any Homeowner default or delinquency in payments of the Loan.

2. Reimbursement Obligation of Homeowner. The Homeowner hereby agrees to reimburse the Corporation for any and all payments made by the Corporation to fully or partially cure any default or delinquency in payments of the Loan. Such payments shall be made within thirty (30) days after written demand is made therefore from the Corporation to the Homeowner. The Corporation may make such written demand to the Homeowner at any time after making such payments. If such written demand is made by personal delivery of such demand given to the Homeowner, or left at the Condominium, such demand shall be deemed given immediately upon such delivery. If such written demand is made by reliable overnight delivery service (such as FedEx), such demand shall be deemed given one (1) business day after deposit of the written demand with the overnight delivery service. If such written demand is made by registered or certified U.S. Mail, such demand shall be deemed given three (3) business days after deposit of the written demand with the U.S. Postal Service.

3. Security for Reimbursement. The obligation of the Homeowner to make the reimbursement payments to the Corporation required under Section 2 shall be secured by a deed of trust which shall encumber the Homeowner's fee title to the Condominium, and the Homeowner's interest in the Sublease Parcel. Such deed of trust shall be in the form attached hereto as Exhibit G to the Ground Sublease, which is hereby incorporated herein. Such deed of trust shall be junior and subordinate to the deed of trust which secures the Loan. The Homeowner consents to recordation of such deed of trust in the official records of San Luis Obispo County, California.

4. Notice of Default and Delinquency. The Homeowner agrees to deliver to the Corporation a copy of any notice of default or delinquency in repayment of the Loan which Homeowner receives from or on behalf of the Lender. Such notices shall be delivered to the Corporation within ten (10) days of Homeowner's receipt of such notice from the Lender.

5. Waivers

a. The Homeowner expressly agrees that the due date for any payment due hereunder may be extended from time to time at the Corporation's sole and absolute discretion and that the Corporation may accept security in consideration for any such extension or release

any security for this Reimbursement Agreement at its sole discretion all without in any way affecting the liability of the Homeowner.

b. No extension of time for payment of the amounts due pursuant to this Reimbursement Agreement made by agreement by the Corporation with any person now or hereafter liable for the payment of this Reimbursement Agreement shall operate to release, discharge, modify, change or affect the original liability of the Homeowner under this Reimbursement Agreement, either in whole or in part.

c. The obligations of the Homeowner under this Reimbursement Agreement shall be absolute, and the Homeowner waives any and all rights to offset, deduct or withhold any payments or charges due under this Reimbursement Agreement for any reasons whatsoever.

d. The Homeowner waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Reimbursement Agreement, and the benefit of any exemption under any homestead exemption laws, if applicable.

e. No previous waiver and no failure or delay by the Corporation in acting with respect to the terms of this Reimbursement Agreement shall constitute a waiver of any breach, default, or failure or condition under this Reimbursement Agreement. A waiver of any term of this Reimbursement Agreement must be made in writing and shall be limited to the express written terms of such waiver.

6. Attorneys' Fees and Costs. The Homeowner agrees that if any amounts due under this Reimbursement Agreement are not paid when due, the Homeowner shall pay, in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Reimbursement Agreement, whether or not suit is filed.

7. Automatic Payroll Deduction. To minimize the risk of the Homeowner's default or delinquency on the Loan, Homeowner agrees to execute an automatic payroll deduction form authorizing Homeowner's employer to deduct the amount of Homeowner's monthly payment on the Loan from Homeowner's employment compensation and forward the proceeds to the Lender.

8. Miscellaneous.

a. Term of Agreement. This Reimbursement Agreement shall take effect upon the date set forth in the first paragraph hereof and shall terminate upon the final payment in full of the Loan.

b. Successor is Deemed Included in All References to Predecessor. Whenever in this Reimbursement Agreement either the Homeowner or the Corporation is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Reimbursement Agreement contained by or on behalf of the Homeowner or the Corporation shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

c. **Amendment.** The Homeowner and the Corporation may alter, modify or cancel, or agree or consent to alter, modify or cancel this Reimbursement Agreement by a writing executed by both of them at any time.

d. **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received in the manner and to the addresses set forth in the Ground Sublease.

e. **Further Assurances and Corrective Instruments.** The Homeowner and the Corporation agree that they shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required.

f. **Execution in Counterparts.** This Reimbursement Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

g. **Applicable Law.** This Reimbursement Agreement shall be governed by and construed in accordance with the laws of the State of California.

h. **Captions.** The captions or headings in this Reimbursement Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Reimbursement Agreement.

i. **Definitions.** Any terms used herein but not separately defined herein shall be defined as provided in the Ground Sublease.

j. **Rights and Remedies Are Cumulative.** Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

IN WITNESS WHEREOF, the Homeowner and the Corporation have executed this Reimbursement Agreement as of the date first above written.

CAL POLY CORPORATION:

By: _____

Name:

Title:

HOMEOWNER:

Name:

Name:

EXHIBIT A TO HOMEOWNER REIMBURSEMENT AGREEMENT

Name of Homeowner: _____

Address of Condominium: _____

Name of Originating Lender: _____

Amount of Loan: _____

EXHIBIT G TO GROUND SUBLEASE

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

Attn: Executive Director
Cal Poly Corporation
Building 15
San Luis Obispo, CA 93407

APN: Portion of 073,341,xxx

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEED OF TRUST WITH ASSIGNMENT OF RENTS
(SHORT FORM)**

This DEED OF TRUST, made this _____ day of _____, 201_

Between _____

herein called TRUSTOR, whose address is _____ Paseo Bella Montana, San Luis Obispo, CA,
_____, a California Corporation herein called TRUSTEE, and

CAL POLY CORPORATION, a California Nonprofit Public Benefit Corporation herein called BENEFICIARY,

WITNESSETH: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN TRUST, WITH POWER OF SALE, that property in the County of San Luis Obispo, State of California, described as:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

This Deed of Trust is Second and Subject to a Deed of Trust in the amount of \$_____ recording concurrently herewith.

TOGETHER WITH the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of any sums advanced on behalf of Trustor according to the terms of a Reimbursement Agreement of even date herewith made by Trustor and Beneficiary, and extensions or renewals thereof, (2) payment of any Additional Rent due pursuant to the Ground Sublease of even date herewith between Trustor and Beneficiary, (3) the performance of each agreement of Trustor incorporated by reference or contained herein, and (4) payment of additional sums and interest thereon which may hereafter be loaned to

Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	S. Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	S. Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	S. Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	S. Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	1964	149774			
						Series 5					

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as though fully as set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefore does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

Trustee

Trustee

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, before me, _____, Notary Public,
(Print Name of Notary Public)

personally appeared _____

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

WITNESS my hand and official seal.

Signature Of Notary

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- Individual
 Corporate Officer

Title(s)

- Partner(s) Limited
 General

- Attorney-In-Fact
 Trustee(s)
 Guardian/Conservator
 Other:

Signer is representing:
Name Of Person(s) Or Entity(ies)

DESCRIPTION OF ATTACHED DOCUMENT

Title Or Type Of Document

Number Of Pages

Date Of Document

Signer(s) Other Than Named Above

EXHIBIT A

LEGAL DESCRIPTION

Parcel No. 1 (Sublease Parcel)

AN UNDIVIDED 1/69 SUBLEASEHOLD INTEREST IN ALL THAT CERTAIN PARCEL OF LAND AS SET FORTH ON MAP OF RESIDENTIAL UNIT PLAN NO.1 IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA, AS RECORDED IN BOOK 1 OF MISCELLANEOUS MAPS PAGE(S) 60-61 INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Parcel No. 2 (Unit)

Unit No. ___ in Building No. ___ (the “*Unit*”), as shown on the Condominium Plan (“*Plan*”), which Plan was recorded on November 7, 2006 as Instrument No. 2006079587 in Official Records of San Luis Obispo County, California.

RESERVING THEREFROM, for the benefit of Cal Poly Corporation, a California Tax-Exempt Public Benefit Corporation, its successors in interest and others, easements for access, encroachment, support, maintenance, drainage, use, enjoyment, repairs and for other purposes, all as shown in the Plan; and as described in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Bella Montana, recorded on November 7, 2006 as Instrument No. 2006079588 of Official Records of San Luis Obispo County, California (“*Declaration*”).

Parcel No. 3 (Undivided Interest in Common Area)

An undivided 1/69 fee simple interest as a tenant-in-common in and to the Common Area described in the Plan.

Parcel No. 4 (Exclusive Use Easement)

An exclusive easement for patio as defined in the Declaration as Exclusive Use Areas and shown and assigned on the Plan.

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefore; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefore and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance or any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's attorneys' fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the

United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

**REQUEST FOR FULL RECONVEYANCE
TO _____, TRUSTEE**

The undersigned is the legal owner and holder of the Reimbursement Agreement, and of all other indebtedness secured by the foregoing Deed of Trust. Said Reimbursement Agreement together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said Reimbursement Agreement above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated: _____

Please mail Reconveyance to

Do not lose or destroy this Deed of Trust OR the Reimbursement Agreement which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

**DEED OF TRUST
with power of sale**

TRUSTEE

EXHIBIT H TO GROUND SUBLEASE

ADDRESSES FOR DELIVERY OF NOTICES

Addresses for delivery of notices pursuant to the procedure stated in Section 22.4 are as follows:

HOMEOWNER(S)

Name(s):

Address:

Other Information:

Telephone Number(s):

Home (_____) _____
Office (_____) _____
Emergency: (_____) _____

Email Address(es):

CAL POLY CORPORATION (CORPORATION)

All notices to Corporation shall be delivered or mailed to:

Executive Director
Cal Poly Corporation
Bldg. 15
San Luis Obispo, California 93407

With a copy or copies to:

- (i) Vice President, Administration and Finance
California Polytechnic State University
San Luis Obispo, California 93407

And

- (ii) Such other person or place as Corporation may from time to time direct.

EXHIBIT I TO GROUND SUBLEASE

Recording Requested By,

**When Recorded Mail Document
and Tax Statements to:**

____ Paseo Bella Montana
San Luis Obispo, CA 93407

(Space Above This Line For Recorder's Use Only)

APN: Portion of 073,341,xxx

The undersigned grantor declares that: Documentary Transfer Tax is \$Zero, computed on the tax value of the property conveyed. Seller is a Tax Exempt Entity/ Govt. Code 27383.

**MEMORANDUM OF SUBLEASE
GRANT DEED TO IMPROVEMENTS, AND
DECLARATION OF EASEMENTS

(RESIDENTIAL UNIT NO. B BUILDING NO. 12)**

IMPORTANT NOTICE TO MORTGAGE LENDERS: THIS DOCUMENT GRANTS TO THE HOMEOWNER (A) A FEE SIMPLE INTEREST IN A CONDOMINIUM COMPOSED OF A UNIT AND AN UNDIVIDED INTEREST IN THE COMMON AREA, AND (B) CERTAIN EASEMENTS. THIS DOCUMENT IS A MEMORANDUM OF A SUBLEASE THAT GIVES THE HOMEOWNER AN UNDIVIDED SUBLEASEHOLD INTEREST IN THE COMMUNITY COMMON AREA.

THE SUBLEASE CONTAINS SIGNIFICANT RESTRICTIONS ON THE HOMEOWNER'S ABILITY TO RESELL THE CONDOMINIUM, EASEMENTS AND THE SUBLEASE PARCEL AND THE RESALE PRICE OF THE CONDOMINIUM, EASEMENTS AND SUBLEASE PARCEL.

THE SUBLEASE ALSO PROVIDES CERTAIN RIGHTS TO MORTGAGE LENDERS. SOME OF THE MORE IMPORTANT PROVISIONS OF THE SUBLEASE ARE SUMMARIZED HEREIN, BUT REFERENCE IS MADE TO THE SUBLEASE ITSELF FOR A FULL DISCUSSION OF THE RIGHTS AND OBLIGATIONS OF THE OWNER AND MORTGAGE LENDER THEREUNDER.

THIS MEMORANDUM OF SUBLEASE, GRANT DEED TO IMPROVEMENTS, AND DECLARATION OF EASEMENTS (“Sublease Memorandum and Grant”) is made and entered into this _____ day of _____, 201__, by and between **CAL POLY CORPORATION**, a California nonprofit public benefit corporation (hereinafter referred to as “Corporation”),

and _____

(hereinafter referred to as “Homeowner”) with reference to the following facts:

A. The Cal Poly Housing Corporation (“Housing Corporation”), an auxiliary organization of California Polytechnic State University, San Luis Obispo (“Cal Poly”), was created in order to implement an employee housing program (the “Program”) at Cal Poly. Pursuant to the Ground Lease between the Trustees of the California State University (“Trustees”) and the Housing Corporation dated April 7, 2005 (the “Ground Lease”), the Housing Corporation is now the ground lessee of certain real property located on part of the campus of California Polytechnic State University, San Luis Obispo and described as:

ALL THAT CERTAIN PARCEL OF LAND AS SET FORTH ON
MAP OF RESIDENTIAL UNIT PLAN NO. 1 IN THE COUNTY
OF SAN LUIS OBISPO, STATE OF CALIFORNIA, AS
RECORDED IN BOOK 1 OF MISCELLANEOUS MAPS
PAGE(S) 60-61 INCLUSIVE OF MAPS IN THE OFFICE OF
THE COUNTY RECORDER OF SAID COUNTY.

B. The Cal Poly Housing Corporation has caused a residential condominium project to be constructed on the real property described in paragraph A above. The Housing Corporation has duly recorded a condominium plan on November 7, 2006, as Instrument No. 2006079587 of Official Records of San Luis Obispo County, California (“Condominium Plan”), and the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Bella Montaña, on November 7, 2006, as Instrument No.2006079588, of Official Records of San Luis Obispo County, California (“Declaration”), which will be used to establish a residential condominium project.

C. The assets and liabilities of the Cal Poly Housing Corporation were assigned and transferred to the Cal Poly Corporation as of February 10, 2012, and the Cal Poly Housing Corporation (“Housing Corporation”) was dissolved as of that date. Cal Poly Corporation is the successor and assignee of the Cal Poly Housing Corporation (“Corporation”) of all its rights, duties, contracts and responsibilities.

D. The Condominium Plan identifies and defines “Community Common Area”, “Condominium”, “Unit” and “Common Area”. The Corporation and the Homeowner have entered into a Ground Sublease, dated as of _____, 201__ (the “Ground Sublease”), which provides for the Corporation to sublease to the Homeowner an undivided subleasehold interest in the Community Common Area established pursuant to the Condominium Plan and the Declaration (the “Sublease Parcel”). The Sublease Parcel is legally described as Parcel No. 1 in Exhibit “A” attached hereto and incorporated herein.

E. The seller of the Condominium and the Homeowner have also entered into a Purchase Agreement and Joint Escrow Instructions, including the Addendum, dated as of _____, 201__ (the “Purchase Agreement”), which provides for the seller to grant to the Homeowner separate fee title to one of the Condominiums established pursuant to the Condominium Plan and the Declaration, and certain exclusive use easements. The Unit is legally described as Parcel No. 2 in Exhibit “A”, the undivided fee simple interest in the Common Area is described as Parcel No. 3 in Exhibit “A”, and the exclusive use easements are described as Parcel No. 4 in Exhibit “A.”.

F. Upon the agreements and representations of Homeowner set forth or described herein, Corporation now desires to (i) memorialize the Corporation’s sublease to the Homeowner of a Sublease Parcel pursuant to the Ground Sublease, and (ii) grant to the Homeowner all of Corporation’s right, title and interest in and to the Condominium, and (iii) grant and reserve certain easements.

NOW, THEREFORE, in reference to the above stated facts, and in consideration of the covenants and agreements set forth or described herein and other good and valuable consideration, the receipt of which is acknowledged, Corporation and Homeowner do hereby provide as follows:

1. Memorandum of Ground Sublease.

Corporation subleases the Community Common Area to Homeowner as a tenant in common with all of the other owners of Condominiums in the Project, for a term commencing on the date first set forth above and terminating on April 3, 2104, at midnight, subject to the terms and conditions as set forth below and as more particularly set forth in the Ground Sublease. Homeowner’s Sublease Parcel is described as Parcel No. 1 in Exhibit “A.” The terms of the Ground Sublease are incorporated by reference as if set forth in full herein. Should there be any inconsistency between the terms of this Sublease Memorandum and Grant and the Ground Sublease, the terms of the Ground Sublease shall prevail.

(a) The Ground Sublease obligates Homeowner to pay to Corporation Basic Rent and Additional Rent, all in accordance with formulae and terms and conditions set forth in the Ground Sublease.

(b) The Ground Sublease places restrictions on Homeowner’s right to sell the Condominium, and makes such right subject to the terms and conditions set forth in the Ground Sublease, including limitations on severing such interests from Homeowner’s Sublease Parcel.

(c) The Ground Sublease obligates Homeowner to sell the Condominium only in accordance with an offering procedure and priority system set forth in the Ground Sublease.

(d) The Ground Sublease restricts the resale price that may be charged by Homeowner for the Condominium, all in accordance with formulae and terms and conditions set forth in the Ground Sublease.

(e) The Ground Sublease reserves an option to Corporation to require Homeowner to relinquish Homeowner’s Sublease Parcel and to sell to Corporation or its assignee the Condominium upon the occurrence of stated events, including, without limitation, on the intended assignment of the Sublease and sale of the Condominium, and on Homeowner

ceasing to be an employee of California Polytechnic University, San Luis Obispo in most circumstances, and subject to terms and conditions set forth in the Ground Sublease.

(f) The Ground Sublease restricts the use of the Condominium to use only as the principal place of residence of Homeowner.

(g) The Ground Sublease obligates Homeowner to comply with certain maintenance, design and modification standards, as set forth and provided for in the Ground Sublease.

2. Grant of Unit.

Corporation hereby grants to the Homeowner all of Corporation's right, title and interest in and to the Unit, described as Parcel No. 2 in Exhibit "A."

3. Grant of Interest in Common Area.

Corporation hereby grants to the Homeowner an undivided 1/69 interest in the Common Area, described as Parcel No. 3 in Exhibit "A."

4. Grant of Exclusive Use Easement.

Corporation hereby grants to Homeowner an exclusive easement for patio purposes, and, if applicable, storage purposes, as defined in the Declaration as an Exclusive Use Area and shown on the Condominium Plan, described as Parcel No. 4 in Exhibit "A."

5. Covenants, Agreements and Representations of Homeowner.

In accepting the Ground Sublease and the grants set forth herein, Homeowner now makes the following covenants, agreements and representations, each of which (i) was and is a material inducement to Corporation, (ii) was and is being relied upon by Corporation, and (iii) was and is being made for the benefit of Corporation and Homeowner:

(a) Homeowner acknowledges that Homeowner has received a copy of (i) the Ground Sublease (including all Exhibits) and (ii) the "Buyer Disclosure Statement," and has examined those documents and understands all of the terms and provisions thereof, all of which are incorporated herein by this reference.

(b) Homeowner agrees to keep, perform, and be bound by each and every one of the covenants, agreements, conditions and restrictions provided for in the Ground Sublease.

(c) Corporation has provided Homeowner with a complete copy of California Civil Code Title 7, Part 2, Division 2, commonly known as the "Right to Repair Law," which is incorporated herein by this reference. The Right to Repair Law affects the legal rights of Homeowner. The protection offered under the warranty policy or policies provided to Homeowner are in addition to, and not in limitation of, the legal rights of Homeowner under the Right to Repair Law and other applicable California law. By initialing below, the parties acknowledge that the Right to Repair Law has been provided to the Homeowner.

Homeowner Initials

Corporation Initials

Corporation reserves all of its rights under the Right to Repair Law, including without limitation, Chapter 4 thereof (Civil Code Sections 910-938, "Prelitigation Procedures"). Homeowner shall furnish to any persons who purchase the Condominium from Homeowner each of the documents provided by Corporation to Homeowner in conjunction with purchase of the Condominium by Homeowner. Any notice to Corporation which is required to be given by Homeowner under the Right to Repair Law may be given to Corporation at the following address:

Executive Director
Cal Poly Corporation
Bldg. 15
San Luis Obispo, California 93407

6. Continuing Effect of Covenants, Agreements and Representations of Homeowner.

Each of the covenants, agreements and representations set forth or incorporated herein are intended to be, and shall be deemed to create, covenants as well as conditions to the Ground Sublease and Grant, and all such covenants and conditions shall be binding upon all successors and assigns of Homeowner in and to the interests granted hereunder and shall run with such interests for the use and benefit of Corporation, including its successors and assigns. Upon termination of the Sublease, title to the Condominium and all interests granted hereunder shall vest in Corporation, provided that the Sublease requires the Corporation to compensate the Homeowner for such interests upon the termination of the Sublease in certain circumstances.

7. Reservation of Easements in Favor of Corporation.

Homeowner's interest in the Sublease Parcel is subject to, or entitled to the benefits of, the following easements, to the extent applicable:

(a) Corporation reserves a maintenance easement across the Project, which may be exercised in the event that the Condominium Association is not properly maintaining the Project as required by the Declaration. Corporation, with written Cal Poly consent, also reserves the right to grant easements across the Common Area or Community Common Area to utility companies and public agencies for the purpose of installing, operating, replacing or maintaining lines or conduits or meters for electricity, cable television, telephones, sewers, water, gas, sprinkling systems, and similar public or quasi-public facilities. No such easement shall unreasonably interfere with the use, occupancy or enjoyment of the Project by Homeowner. In the Ground Lease, the Trustees has reserved the right to grant easements, rights-of-way and/or air rights with respect to the Common Area or Community Common Area provided that such additional easements and/or rights-of-way shall not unreasonably interfere with Corporation's use and enjoyment of the Project in accordance with the Ground Lease, and Corporation hereby reserves such easements and rights-of-way in this Sublease.

(b) Corporation reserves a maintenance easement on the Unit and Exclusive Use Area pursuant to the Declaration, which may be exercised in the event that the Homeowner is not performing its maintenance obligations established under the Declaration.

(c) Corporation shall have and hereby reserves an easement over the Project as may be needed or desired by Corporation in connection with the developing and marketing of the Condominiums.

8. Matters of Record.

The Sublease set forth in Section 1 above and the grants set forth in Sections 2, 3 and 4 above are made and given subject to all easements, covenants, conditions and restrictions, limitations and equitable servitudes as set forth in the Ground Sublease or otherwise of record, including, but not limited to, easements for water, sewer, telephone, electricity, gas, cable television and other utility easements, whether of record or apparent.

9. Severability.

To the extent possible, each provision of this Sublease Memorandum and Grant shall be interpreted in such a manner as to be effective and valid under applicable law, but if any part of any provision of this Sublease Memorandum and Grant shall be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent necessary without invalidating the remainder of the provision or the remaining provisions of this Lease Memorandum and Grant.

IN WITNESS WHEREOF, the Parties have executed this Sublease Memorandum and Grant as of the date first written above.

HOMEOWNER:

CORPORATION:

CAL POLY CORPORATION, a
California Nonprofit Public Benefit
Corporation

By: _____

Its:

EXHIBIT "A"

LEGAL DESCRIPTION

Parcel No. 1 (Sublease Parcel)

AN UNDIVIDED 1/69 SUBLEASEHOLD INTEREST IN ALL THAT CERTAIN PARCEL OF LAND AS SET FORTH ON MAP OF RESIDENTIAL UNIT PLAN NO.1 IN THE COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA, AS RECORDED IN BOOK 1 OF MISCELLANEOUS MAPS PAGE(S) 60-61 INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Parcel No. 2 (Unit)

Unit No. ___ in Building No. ___ (the "*Unit*"), as shown on the Condominium Plan ("*Plan*"), which Plan was recorded on November 7, 2006 as Instrument No. 2006079587 in Official Records of San Luis Obispo County, California.

RESERVING THEREFROM, for the benefit of Cal Poly Corporation, a California Tax-Exempt Public Benefit Corporation, its successors in interest and others, easements for access, encroachment, support, maintenance, drainage, use, enjoyment, repairs and for other purposes, all as shown in the Plan; and as described in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Bella Montana, recorded on November 7, 2006 as Instrument No. 2006079588 of Official Records of San Luis Obispo County, California ("*Declaration*").

Parcel No. 3 (Undivided Interest in Common Area)

An undivided 1/69 fee simple interest as a tenant-in-common in and to the Common Area described in the Plan.

Parcel No. 4 (Exclusive Use Easement)

An exclusive easement for patio as defined in the Declaration as Exclusive Use Areas and shown and assigned on the Plan.

