



May 1, 2023

VIA E-MAIL

Roy Q. Lockett, Acting Assistant General Counsel
Christal Dennis, Paralegal
Federal Election Commission
Office of Complaints Examination and Legal Administration
1050 First Street, NE
Washington, DC 20463
Email: CELA@fec.gov

Re: MUR 8105 (Representative Katherine Porter)

Dear Mr. Lockett:

We write as counsel to Representative Katherine Porter in response to the January 24, 2023, complaint submitted by the Committee to Defeat the President. The complaint alleges that Rep. Porter somehow received a prohibited contribution from the University of California, Irvine (“UCP” or the “*University*”) by continuing to live in her own home and pay her own mortgage under terms she entered into years before first running for Congress. This allegation is meritless.

Rep. Porter began working as a law professor at the University in 2011. At that time, she purchased a home under a University program available to her as a professor. She continues to live in that home with her family and personally pay the mortgage and all the relevant taxes and expenses. When Rep. Porter was elected to Congress, she took an unpaid leave of absence from the University under a pre-existing University policy, and her leave has since been renewed. Rep. Porter is decidedly not alone in taking such leave and has not been granted any special treatment by the University in taking this leave. Many other University employees have taken similar leaves of absence under the exact same policy while also performing government service or other activities. Under pre-existing University policy, Rep. Porter is also automatically allowed to remain in her home while on leave. There is no indication that the University took any action with regard to its leave policy or Rep. Porter’s home for the purpose of influencing an election. Rep. Porter was able to both acquire her home when she first started working as a professor and then to take a leave of absence under the terms of her employment with the University and completely irrespective of her candidacy.

The relevant precedent from the Federal Election Commission (“*FEC*” or “*Commission*”) is on point and clear. The Commission has already held that there is no violation of campaign finance laws when a college or university grants leave to a professor under a pre-existing policy, including when the leave involves a continuation of fringe benefits and even if the University exercises some discretion in granting the leave. The key question is whether there is a “long-standing policy [that] is generally applicable to all employees [], and not one that was created for

this particular situation.”¹ This is plainly the case here, where numerous other faculty members have taken leaves for similar periods of time and for similar purposes. There is no indication that Rep. Porter received special treatment by continuing to pay her mortgage and remain in her home during this time. Indeed, if the University had forced Rep. Porter to sell her home, this would have been a severe departure from both standard University policy and the standard contracts Rep. Porter signed long before she ran for federal office.

Moreover, in this instance, it is decidedly unclear what the actual ongoing contribution from the University to Rep. Porter is alleged to be. Years before first running for office, Rep. Porter was entitled to buy her home through a University program. The complaint alleges that the amount of the mortgage payments that Rep. Porter currently pays could constitute an in-kind contribution because they may be less than the payments that one might pay for some theoretical other home under a different mortgage in the area. This is a comparison of apples and oranges. Rep. Porter’s housing arrangement through the University is subject to several abnormal encumbrances: for example, she owns her home but not the land, the amount she can sell her home for is capped far below normal market prices, and she is limited in what changes she can make to the home and even to whom she can sell it. When working full time as a professor, she received a standard benefit by being able to buy her home, but currently, she is personally paying for her home and the limited property rights she receives, and those monthly payments are not being subsidized by the University in any ongoing way. There is no justification for the Commission to conclude that a contribution has resulted from this arrangement, which was negotiated to reflect the value of exactly what was being received without regard to any future potential candidacy.

In sum, there is no basis for the Commission to find reason to believe that a violation of campaign finance laws occurred, and therefore it should immediately dismiss this complaint against the University and Rep. Porter.

I. Factual Background

Representative Katherine Porter was elected to the United States House of Representatives in 2018 and has been reelected twice since. She is currently a candidate for United States Senator from California.

Rep. Porter is also an attorney and law professor. In 2011, she became a tenured professor at the University of California, Irvine School of Law and she remains a tenured member of UCI’s faculty to date.²

A. UCI’s Leave Policy

After Rep. Porter was elected to Congress in 2018, she requested a year-long unpaid leave of absence from UCI’s law school for service in government, which was granted. Since that time, she has requested renewals of her unpaid leave of absence to correspond with her time in Congress, which have also been granted.

¹ FEC Adv. Op. 2014-14 (Trammell) at 3-4 (internal quotations omitted).

² Katherine Porter CV, <https://www.law.uci.edu/faculty/full-time/porter/porterCV.pdf> (last visited May 1, 2023).

UCI's leave policy is governed by the University of California's Academic Personnel Manual (the "*APM*"), which applies uniformly to all academic personnel in the University of California system. The University policies permit leaves of absence for a range of reasons, including military service, government service, service to non-profit organizations, innovation and entrepreneurship activities, a visiting appointment at another institution, professional development, medical reasons, and family and health accommodations. When Rep. Porter first requested unpaid leave in 2018, Section 759 of the APM (Leaves of Absence/Other Leaves Without Pay) provided that "leaves of absence without pay for other good cause may be granted to academic appointees."³ Last year, the policy was updated to clarify that "Good cause in this section may, in appropriate circumstances, include, but is not limited to, leaves for: service to non-profit/nongovernmental organizations, innovation and entrepreneurship activities, a visiting appointment at another institution, professional development, or medical reasons [], when an appointee's paid leave has been exhausted. When a request for a leave without pay involves service or activities with an entity or organization outside the University, the request may be approved when the purpose for the leave is one that will enhance the academic appointee's contributions to the University after completion of the leave."⁴ The updates further clarified that "Academic appointees on an approved leave of absence without pay under APM - 759 *remain University employees* and must continue to comply with University policies on conflict of commitment and outside activities."⁵ Additionally, APM Section 750 provides that a "Leave of absence may be granted to academic appointees for consultation or other services to governmental agencies."⁶

UCI requires faculty members taking unpaid leave to submit a request form, the UCI-AP-76. Government/public service is listed as one of the reasons for which leave will be granted. The first year of leave may be approved by the Dean of the faculty member's school, while leaves greater than one year, or which combined with other leaves total more than one year, will need to be approved by the Vice Provost.⁷ Rep. Porter submitted her leave requests using this form, and each leave was approved by the appropriate University administrator.

Under UCI's leave policy, it is not uncommon for faculty to take extended unpaid leaves of absence from the University—in the last decade, at least eight members of UCI's faculty have taken unpaid leaves of three years or more.⁸ Similarly, it is Rep. Porter's understanding that University of California faculty across the state, all subject to the same policies, routinely take

³ University of California Academic Personnel Manual, Section 759 (2021 redline of Dec. 14, 2000 version), https://www.ucop.edu/academic-personnel-programs/_files/apm/apm-759-sys-review/apm-759-sys-rev-redline-copy.pdf (demonstrating language in place until the 2022 amendments) (last visited May 1, 2023).

⁴ University of California Academic Personnel Manual, Section 759 (July 1, 2022), https://ucop.edu/academic-personnel-programs/_files/apm/apm-759.pdf (last visited May 1, 2023).

⁵ *Id.* (emphasis added).

⁶ University of California Academic Personnel Manual, Section 750 (July 1, 2021), https://ucop.edu/academic-personnel-programs/_files/apm/apm-750.pdf (last visited May 1, 2023).

⁷ UCI Office of Academic Personnel, APP 7-18: Leaves of Absence – Other Leaves Without Pay, <https://ap.uci.edu/policies-procedures/app/7-18/>; *but see* UCI Office of Academic Personnel, APP 7-14: Leaves of Absence – For Service to a Government Agency, <https://ap.uci.edu/policies-procedures/app/7-14/> (allowing the Dean to grant leaves without pay that are greater than 30 days) (last visited May 1, 2023).

⁸ *See* Seema Mehta, *What to know about Katie Porter's housing situation at UC Irvine*, L.A. TIMES (Sept. 13, 2022), <https://www.latimes.com/politics/story/2022-09-13/katie-porter-housing-agreement-with-uc-irvine> (last visited May 1, 2023).

extended leaves of absence for government service.

If Rep. Porter is not elected to the U.S. Senate in 2024, she expects to resume teaching at UCI once her current term in Congress is complete.

B. University Hills Housing

When Rep. Porter joined UCI's faculty, she purchased a single-family home in the University Hills development on campus. She and her family still live in this home.

The University Hills development was created to provide UCI faculty and staff with housing options for purchase or rent near their jobs. University Hills is maintained by the Irvine Campus Housing Authority ("**ICHA**"), a California nonprofit public benefit corporation formed in the 1980s by the Board of Regents of the University of California (the "**UC Regents**") for this purpose. ICHA is separately incorporated from UCI and the UC Regents, with its own board of directors.

In order to maintain the UCI-centered nature of University Hills, ICHA limits to whom University Hills homes may be sold and at what price. This means that while UCI faculty can purchase University Hills homes at reasonable prices set by ICHA, they also must sell their homes at capped prices set by ICHA.⁹ Owners of University Hills homes cannot build the same equity through rising home prices over time as do homeowners in ordinary circumstances. ICHA also provides ground subleases to University Hills homeowners at reasonable rates, and University Hills homeowners are eligible to obtain mortgages for their homes from the University of California itself. The ground subleases and mortgage agreements may only be terminated under specific circumstances, such as separation from the University or a permanent change in appointment status.

1. University Hills Subleases

University Hills homes are located on lots owned by the UC Regents, rather than by the homeowners themselves or their homeowner's association. The UC Regents lease this land to ICHA, which in turn subleases the land on which the houses sit to homeowning faculty.¹⁰ As such, when an individual purchases a home in University Hills, either from ICHA or from the previous homeowner, they do not purchase the land on which the home is located—instead they sublease it from ICHA for a fee.

Because the land on which each house sits is subleased from ICHA, each homeowner enters into a standard Ground Sublease Agreement (a "**Sublease**") with ICHA when they purchase their home. This Sublease governs when a University Hills homeowner must sell their home.

⁹ See ICHA Home Resale Requirements and Resale Restrictions, <https://icha.uci.edu/wp-content/uploads/2017/05/HOME-RESALE-REQUIREMENTS-AND-RESALE-RESTRICTIONS.pdf> (last visited May 1, 2023).

¹⁰ ICHA, Abstract of Lease for Homebuyers, <https://icha.uci.edu/wp-content/uploads/2016/10/Abstract-of-Lease-for-Home-Buyers.pdf> (last visited May 1, 2023).

ICHA’s standard Sublease, which Rep. Porter signed when she purchased her home, does not require UCI faculty to sell their homes when they take unpaid leaves of absence. Instead, the contract grants the University the option to require the sale of the home under any of the following circumstances: (1) “The Home Owner is an employee of the University who voluntarily resigns his position, or whose contract with the University expires and is not renewed, or whose employment is terminated by the University”; (2) “The Home Owner is an employee of the University who in the determination of the University experiences a *permanent* change to an appointment status not considered to be a career or regular position or to an appointment status not considered to be in full-time service to the University”; or (3) an individual who is not associated with the University gains ownership of the home (for example, through divorce).¹¹

The Sublease makes clear that “In all other cases of changed circumstances including, without limitation, the retirement of a Home Owner who is an employee of the University or the temporary or permanent disability of a Home Owner who is an employee of the University, the Home Owner may continue to hold his or her interest in the Property and to own and occupy the improvements on the Property on the same terms and conditions as prevailed before such change in circumstances.”¹²

When a professor is on leave, there is no discretion by the University or decision to be made with regard to their housing. While on leave, Rep. Porter is entitled to remain in her home under legal agreements she entered into years before first running for office.

2. University Hills Mortgages

Rep. Porter obtained the loan she used to purchase her home through the University of California Home Loan Program Corporation’s Mortgage Origination Program. These loans are made by the UC Regents, and UC faculty who borrow through the program are required to sign Condition of Employment Riders when they sign their loan agreements.

Under this program, “If employment is terminated or, in the case of academic appointees, there is a *permanent* change to an appointment status not considered to be in full-time service to the University or UC Hastings, the Program loan is to be repaid within 180 days of such date of separation or change in status.”¹³ However, “Program participation may continue during absences for sabbatical leave or other approved leaves of absence.”¹⁴

II. Legal Analysis

Rep. Porter’s unpaid leaves of absence during her time in Congress, during which she was automatically entitled to remain in her home under her current mortgage, do not amount to a corporate contribution from UCI because the leaves were granted pursuant to a pre-existing and

¹¹ Exhibit A, ICHA Ground Sublease Agreement, Section 3.06(b) (emphasis added).

¹² *Id.* § 3.06(c).

¹³ University of California Employee Housing Assistance Program Requirements (July 15, 2022), <https://policy.ucop.edu/doc/3600675/EmployeeHousingAssistance> (emphasis added) (last visited May 1, 2023).

¹⁴ *Id.*

neutrally administered University policy, just as in two recent Commission advisory opinions concerning leave for professors, *Trammell* and *Brat*. Further, Rep. Porter’s ability to remain in her home is not a corporate contribution from the UC Regents or ICHA because any University Hills homeowner on unpaid leave is entitled to retain their mortgage with the University and retain ownership of their home, per standard contracts and policies. Finally, regardless of the University’s leave policy, Rep. Porter is not receiving a corporate contribution because she is paying for the value of her home and her limited property rights on an ongoing basis; any comparison with how much she would pay for a different home with radically different property rights is simply inapposite.

A. UCI’s decision to grant Rep. Porter unpaid leave pursuant to pre-existing and neutrally administered policies complies with Commission regulations and direct precedent.

Rep. Porter’s unpaid leave from the University comports with previous Commission advisory opinions approving leave granted by educational institutions to professors. The Commission’s legal analysis in the *Trammell* and *Brat* opinions applies equally here and there is no basis to reach a different conclusion in this case.

As set forth in the Commission’s previous opinions, the Federal Election Campaign Act of 1971, as amended (the “*Act*”) and Commission regulations generally prohibit corporations from making contributions to candidates in connection with federal elections.¹⁵ Pursuant to this restriction, “[a] corporation or labor organization may not pay the employer’s share of the cost of fringe benefits, such as health and life insurance and retirement, for employees or members on leave-without-pay to participate in political campaigns of Federal candidates.”¹⁶ However, there is also a longstanding and clear exception to the general rule: this prohibition does not apply to “fringe benefits for employees on annual leave or other leave which the employee has the right to take as a result of a contract and which may be used by the employee for any purpose.”¹⁷

Furthermore, employment-related payments are not considered contributions to a candidate under 11 C.F.R. § 113.1(g)(6)(iii) where “A. The compensation results from bona fide employment that is genuinely independent of the candidacy; B. The compensation is exclusively in consideration of services provided by the employee as part of this employment; and C. The compensation does not exceed the amount of compensation which would be paid to any other similarly qualified person for the same work over the same period of time.”¹⁸ Under these regulations, the Commission has frequently permitted employers to continue to provide employees with fringe benefits while they are on leave to run for federal office or through severance packages where the employee’s entitlement to take leave or to the benefits is governed by a pre-existing and neutrally administered policy.¹⁹

¹⁵ 52 U.S.C. § 30118(a); *see also* 11 C.F.R. § 114.2(b).

¹⁶ 11 C.F.R. § 114.12(c)(1).

¹⁷ Explanation for Part 114, H.R. Doc. No. 95-1a, at 117 (Jan. 12, 1977), <https://www.fec.gov/resources/cms-content/documents/95-44.pdf>.

¹⁸ 11 C.F.R. § 113.1(g)(6)(iii).

¹⁹ *See, e.g.*, FEC Adv. Op. 1992-03 (Reynolds Metal Company) (permitting corporation to continue providing benefits to employee under a “has a pre-existing policy covering fringe benefits and unpaid leave which is generally applicable to all employees,” which was “apparently not one created for the benefit of a

Specifically, when it comes to a professor taking leave under a university policy, the *Trammell* and *Brat* opinions control. In these opinions, the Commission held that a college could continue to provide fringe benefits to two professors on leave to campaign for federal office.²⁰ Rep. Porter's unpaid leave and her ability to remain in her home during her leave meets the standards provided in these regulations and advisory opinions. In particular, the FEC discussed three factors in approving the leaves in the *Trammell* and *Brat* opinions and those factors apply equally here.

First, the Commission observed that it did not appear that "the College [was] creating a benefits policy to give [anyone] an advantage as a federal candidate-employee" because the College had a "policy of granting sabbaticals for a variety of purposes and generally approving payment of fringe benefits during those sabbaticals indicat[ing] the College is accord[ing] [the requestor] the same treatment it affords other employees who are granted leave for other reasons."²¹ Second, the leave "was a form of conditional compensation for employees," and third, the leave was "part of a consistent policy available to all qualifying employees that is designed to afford [the requestor] the same treatment as other faculty members who take sabbaticals for non-political purposes."²²

The exact same is true for the UCI policy and Rep. Porter's leave. First, her leave was granted in accordance with a pre-existing policy under which a faculty member may be granted unpaid leave for "good cause," including military service, government service, service to non-profit organizations, innovation and entrepreneurship activities, a visiting appointment at another institution, professional development, medical reasons, and family and health accommodations. Under the University policy, leave is granted if "the purpose for the leave is one that will enhance the academic appointee's contributions to the University after completion of the leave," and/or for service to the government. Rep. Porter's leave is for an explicitly permitted purpose (government service) and will also undoubtedly enhance her contributions to the law school when she returns with years of experience as a federal legislator under her belt. Second, Rep. Porter's ability to take her leave was part of her compensation as a law school faculty member because it was part of the rights to which she was entitled under her employment starting years before she first became a candidate. Third, just like in *Trammell* and *Brat*, the contours of Rep. Porter's leave are part of a consistent University policy available on the same terms to other University personnel and applicable on the same terms whether an employee wants to serve in Congress or take leave for a variety of other non-political purposes. Numerous faculty members at UCI and other UC campuses have taken multiyear unpaid leaves of absence in accordance with this policy, and nothing in the complaint suggests that Rep. Porter received special treatment by being granted this leave for service that will enhance her legal pedagogy when she returns.

particular employee-candidate); cf. FEC Adv. Op. 2004-08 (American Sugar Cane League) (permitting corporation to provide severance package to employee who resigned to run for federal office where providing similar severance packages to employees with similar work histories at the company was already standard practice); FEC Adv. Op. 2011-27 (New Mexico Voice for Children) (same).

²⁰ See FEC Adv. Ops. 2014-14 (*Trammell*) and 2014-15 (*Brat*).

²¹ *Id.* at 4.

²² *Id.*

The complaint incorrectly asserts that there is a campaign finance issue with Rep. Porter's leave because there is formally a decision that needs to be made by a University official to approve the leave; in other words, there is some "discretion." However, the process and standards under the UCI policy is substantively the same as those in the *Trammell* and *Brat* opinions. There, the relevant college policy stated that "leaves of absence may be granted by the Provost for such reasons and for such duration as the Provost believes are in the best interest of the applicant and of the College."²³ The Commission found that although the University formally made a discretionary decision under the policy in deciding whether to permit the professors to take unpaid leave, because continuations of benefits are "generally approve[d] . . . for those granted leaves of absence under a pre-existing and 'long-standing policy [that] is generally applicable to all employees of the College, and not one that was created for this particular situation,'" the continuation of benefits was not a contribution from the college to the candidates.²⁴ The same is true here. There was not some discretionary decision to give Rep. Porter leave that isn't also available to everyone else under the exact same policy. Indeed, it is Rep. Porter's understanding that multiple personnel have taken years long leave from UCI specifically, and that there is a long history of professors taking extended leaves in the University of California system for the purpose of government service.

Ultimately, the *Trammell* and *Brat* opinions are on point and dispositive. The University granted Rep. Porter's leave according to its universal and pre-existing policy, irrespective of her candidacy, and not for the purpose of influencing a federal election. Rep. Porter understands that the University liberally and routinely grants unpaid leaves of absence for faculty for a wide variety of reasons, including, frequently, government service. Just as in *Trammel* and *Brat*, and under the standards in applicable Commission regulations and a long line of previous opinions, there is no basis to find that Rep. Porter's leave constitutes a prohibited contribution.

B. Rep. Porter's ability to remain in her home during her unpaid leave is governed by standard contracts she signed six years before she ran for Congress.

As referenced above, the entities that are responsible for Rep. Porter's housing arrangements have not taken action to remove Rep. Porter from her home because they are not entitled to under the standard pre-existing contracts they signed with her in 2011, years before she ran for Congress.

Rep. Porter's ability to remain in her home is governed by a standard sublease agreement that all University Hills homeowners sign upon the purchase of their home. Under that agreement, ICHA cannot force her to sell her home simply because she is on an unpaid leave of absence from the University. If ICHA did attempt to force Rep. Porter to sell her home because she is on unpaid leave, such action would be both a breach of her contract with ICHA and a clear "departure from customary practice."²⁵

Similarly, the UC Regents are not permitted to accelerate repayment of the loan unless Rep. Porter resigns her position or other otherwise undergoes a permanent change in her appointment

²³ *Id.* at 2.

²⁴ FEC Adv. Op. 2014-14 at 3-4.

²⁵ *Id.* at 4.

status—an event that has not occurred. She is therefore entitled to remain in her home under her existing mortgage agreement, just as any other employee on unpaid leave would be. To do otherwise would be to subject her to special treatment.

Neither the UC Regents nor ICHA has made a discretionary decision to allow Rep. Porter to stay in her home or provide her with a housing benefit while she is a member of Congress. Because Rep. Porter is on leave (under the University's standard policy), she is entitled to stay in her home under the contracts she signed years before first becoming a candidate.

C. The allegations in the complaint do not support the conclusion that Rep. Porter is receiving something of value from a corporation.

The complaint alleges that Rep. Porter's ability to remain in her home while she pays the sublease fee determined by her 2011 sublease agreement and the monthly mortgage payment determined in her 2011 mortgage agreement amounts to an in-kind of fringe benefits because the applicable fees and mortgage payments might be less than what other homeowners might pay for Irvine property outside of University Hills. However, there is no basis to conclude that Rep. Porter isn't paying exactly the fair market value of what she is receiving as negotiated in arm's length transactions years before she decided to run for federal office. Any comparison to what one might pay for a home outside of the University Hills program is inapposite because that is not what Rep. Porter possesses.

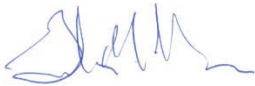
To be clear, the University is not making any ongoing payments to Rep. Porter in connection with her home. Rep. Porter pays her own mortgage and other associated home expenses herself. To support the argument that Rep. Porter has received something of value by remaining in her home, therefore, the complaint cites historical and present-day University Hills and Irvine home prices and argues that Rep. Porter should be paying more. However, Rep. Porter does not have the type of property ownership that accompanies a typical Irvine home. The complaint ignores that one of the primary benefits of homeownership—the ability to gain substantial equity in the home through mortgage payments, and to collect on that equity when the home is sold, is not available with the mortgage at issue here. The complaint explains that in 2011, the median home price in Irvine was \$656,800, and by 2022, it had ballooned to nearly \$1.4 million. During that time, Rep. Porter's home, which was originally purchased for \$522,645, only increased in value by \$136,724.²⁶ The numbers cited in the complaint do not indicate that Rep. Porter is getting a sweetheart deal, but conversely, illustrate that her arrangement does not have the same benefits as typical property ownership. Had Rep. Porter purchased a home outside of University Hills, for a similar price but without all the restrictions placed on University Hills homeowners, her home would likely be worth much more than its current value of \$659,369. Additionally, as stated above, numerous other restrictions apply to Rep. Porter's home: she rents rather than owns the land on which her house sits, there are strict limits on whom she can sell the property to, and there are significant limitations on what changes or improvements she can make to the property, in addition to other encumbrances. As such, while Rep. Porter's monthly housing payment may be less than what some non-University Hills homeowners pay, the value of what she is receiving for those payments is substantially less, and it is therefore unclear whether she has received anything of value by remaining in her home during her time in Congress.

²⁶ Compl. ¶¶ 14-17.

Given the speculative nature of any value Rep. Porter has received by remaining in the home she purchased years before she ran for Congress, the Complaint has failed to demonstrate that this arrangement resulted in an in-kind contribution to Rep. Porter from a corporation.

For the foregoing reasons, Rep. Porter has not received a corporate contribution and/or anything of value from any UC entity because she has remained in her home during her unpaid leave from the University. As such, the Commission should find no reason to believe that a violation of the Act occurred and promptly dismiss this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "G. M. Wilson".

Graham M. Wilson
Andrea T. Levien
Counsel to Representative Katherine Porter

Exhibit A

GROUND SUBLEASE

FOR

FOR-SALE HOUSING UNITS

(Phases I - IX)

Phase _____ Lot _____

Homeowner _____

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EXHIBITS

- Exhibit A Description of Property
- Exhibit B Rental for Property
- Exhibit C State of Title to Property
- Exhibit D Address of Home Owner for Delivery of Notices
- Exhibit E University Hills Property Use and Maintenance Regulations
- Exhibit F Description of Sideyard Easements for 150 Series Patio Home^{es} and 750 Series Single Family Homes
- Exhibit G Description of Paired Home Lots and Easements for 600 and 700 Series Homes

GROUND SUBLEASE

THIS GROUND SUBLEASE is made and entered into as of this ___ day of _____, 20___, by and between the IRVINE CAMPUS HOUSING AUTHORITY, a California nonprofit public benefit corporation ("ICHA"), and _____ (the "Home Owner").

PREAMBLE

1. The Regents of the University of California, a California public corporation, is the owner of certain real property which is a part of the campus of the University of California, Irvine, and is described more particularly in Exhibit A to this Ground Sublease.

2. The Property, together with other adjacent and surrounding parcels of real property owned by the Regents, have been leased by The Regents to ICHA pursuant to a Ground Lease (the "Lease") dated as of October 31, 1983. The parties have from time to time amended and restated the Lease and have recorded such documents in Exhibit D to the Lease, for the purpose of developing for-sale and rental housing for the principal benefit and convenience of the members of the faculty and academic staff of the University of California.

3. The principal objective of the Housing Program is to strengthen the educational program at the University of California, Irvine, by fostering an academic community in residence on campus, creating affordable housing for members of the University's faculty and academic staff, and assisting in the recruitment and retention of faculty.

4. The Lease authorizes ICHA to sublease the Property and other designated leasehold parcels to eligible persons, as described in subsection (a) of Section 3.05 of such Lease.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties to this Sublease agree as follows:

ARTICLE I. - DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. As used in this Sublease:

(a) "Academic Senate" means the Academic Senate of the University of California;

(b) "Community Space" means any portion of the real property covered by the Lease which contains streets, utilities, open space (other than that on parcels

designated for sublease by ICHA), sidewalks, pathways, bikeways, recreational facilities, or similar improvements or facilities designed for common use and benefit of the occupants of housing units constructed under the Housing Program, the University community, or the public;

(c) "Designated Current Owners" means any current For-Sale Housing Unit owners requesting a move to another For-Sale Housing Unit where the University has determined that such a move will benefit the recruitment and retention objectives of the Housing Program;

(d) "Designated University-Associated Persons" means any University-Associated Persons designated by The Regents;

(e) "Domestic Partnership" is a Domestic Partnership registered with the State of California or qualified with the University of California Retirement Plan. A Domestic Partner is someone registered in a Domestic Partnership;

(f) "Faculty Salary Index" is that index published and maintained by the University's Office of Loan Programs;

(g) "For-Sale Housing Unit" means a housing unit constructed by ICHA under the Housing Program for the purpose of sale to an eligible person pursuant to Section 3.04 (a) of the Lease, including any unit in a housing cooperative;

(h) "Home Owner" means the sublessee of the Property described in the first paragraph of this Sublease;

(i) "HRB" means the Home Owners Representative Board (formerly known as the Architectural Review Board) established by ICHA pursuant to Section 5.01 of the Regulations;

(j) "Housing Program" means the program approved by The Regents for the development and construction of for-sale and rental housing on the campus of UCI, in a development to be known as University Hills, for the principal benefit of the members of the faculty and staff of the University, and includes any amendments or modification to such Program which, after approval by The Regents, may from time to time be made;

(k) "ICHA" means the Irvine Campus Housing Authority or any successor thereto;

(l) "Lease" means the Amended and Restated Ground Lease by and between The Regents and ICHA, as amended from time to time;

(m) "Lender" means any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, University of California, or other lending institution of

substance (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation or other similar secondary market mortgage purchasers) which performs functions similar to any of the foregoing, which makes or is the assignee of a loan to the Home Owner secured by a deed of trust on the Property and the improvements thereon, and, in the case of financing provided by a previous Home Owner, shall include that previous Home Owner;

(n) "Maximum Lender Recovery" is defined in Section 5.02 (f) (i);

(o) "Maximum Resale Price" means the maximum permitted resale price of the Property and the improvements located thereon as determined pursuant to the provisions of subsection (b) of Section 3.08 of this Sublease;

(p) "Non-University-Associated Person" means any person other than a University-Associated Person;

(q) "Paired Home" means any housing unit located on the Property which is constructed in a duplex-style configuration, sharing a common wall and a common roof area with the contiguous housing unit, and, if the Sublessee has acquired a Paired Home, is burdened and benefited by easements as described in Section 4.03(f) and Exhibits A and G of this Sublease. For purposes of this Sublease, a Paired Home shall not be considered to be a Townhome Unit;

(r) "Patio Home" means any housing unit located on the Property which is burdened and/or benefited by a sideyard easement as described in subsection (e) of Section 4.03 and, if Sublessee has acquired a Patio Home, as further described in Exhibit F of this Sublease;

(s) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity;

(t) "Property" means the real property described in Exhibit A to this sublease;

(u) "Regents" means The Regents of the University of California or any designee or authorized agent thereof;

(v) "Regulations" means the University Hills Property Use and Maintenance Regulations set forth in Exhibit E to this Sublease;

(w) "Sublease" means this Ground Sublease by and between ICHA and the Home Owner;

(x) "Sublease Interest Rate" means ten percent (10%) per annum, provided that if, at the time of its imposition pursuant to the terms of this Sublease, such rate shall

be deemed to be usurious, the term "Sublease Interest Rate" shall mean the highest interest rate then permitted by law;

(y) "Successor Home Owner" means any purchaser/assignee who is a successor in interest to the Home Owner with respect to any Property pursuant to the provisions of Section 3.04 of this Sublease or any person who succeeds to an interest under this Sublease in the Property as a result of circumstances described in the provisions of this Sublease;

(z) "Townhome Unit" means any housing unit located on the Property which shares at least one common wall or any common roof area with any other housing unit;

(aa) "University" means the University of California;

(bb) "University-Associated Person" means any person who is a member of the Academic Senate, the University's salaried nonfaculty academic staff or management, or the University's salaried nonacademic staff, as such positions may from time to time be defined by the President of the University; and

(cc) "University Attendee" means any person who holds an academic degree from the University.

Section 1.02. Exhibits. All of the Exhibits to this Sublease are incorporated by reference in this Sublease and shall, together with this Sublease, be deemed one and the same instrument.

ARTICLE II. - TRANSFER OF LEASEHOLD INTEREST AND BASIC TERMS OF SUBLEASE

Section 2.01. Transfer of Leasehold Interest in Property. In consideration of the faithful performance by the Home Owner of this Sublease, ICHA subleases the Property to the Home Owner and the Home Owner leases the Property from ICHA, together with all rights and privileges pertaining to the Property.

Section 2.02. Term. The term of this Sublease shall commence on the effective date of this Sublease and shall end October 30, 2082, subject, however, to the provisions of Section 3.04 of this Sublease and to earlier termination as provided in this Sublease.

Section 2.03. Sublease Rental.

(a) In consideration of the subleasing of the Property, the Home Owner shall pay to ICHA a rental amount as provided in Exhibit B of this Sublease, subject to adjustment as provided in Section 3.09 of this Sublease. Unless otherwise agreed to by ICHA, rental payments shall be made monthly and shall be due on the first day of each month. Payments for partial months shall be prorated.

(b) Upon any transfer of the Home Owner's interest under this Sublease to a Successor Home Owner pursuant to the provisions of Section 3.04 of this Sublease, the rental required by this Sublease shall be adjusted with respect to the Successor Home Owner as provided in Section 3.09 of this Sublease.

(c) In addition, the Home Owner shall be obligated to pay to ICHA assessments for the maintenance of Community Space as provided in Section 4.04 of this Sublease; assessments for the repair and maintenance of the exterior walls and roofs of Townhome Units as provided in Section 4.05 of this Sublease, if applicable; assessments for insurance for Townhome Units as provided in Section 2.07 of this Sublease, if applicable; assessments for the maintenance of landscaping installed by ICHA in areas outside the privacy walls of Townhome Units as provided in Section 4.05 of this Sublease, if applicable; and any reasonable costs incurred by ICHA in connection with the exercise of ICHA's right of abatement as provided in Section 6.03 of the Regulations, all of which payments shall be regarded as additional rent under this Sublease.

(d) All payments enumerated in this Section 2.03 shall be made without offset of any kind.

Section 2.04. State of Title.

(a) The Regents have warranted to ICHA that The Regents' title to the Property now is, and shall throughout the term of this Sublease remain, free and clear of any lien, charge, encumbrance, or claim except as may be referred to and described in Exhibit C to this Sublease.

(b) ICHA represents and warrants that ICHA's leasehold interest in the Property is now free and clear of any lien, charge, encumbrance, or claim except as may be referred to and described in Exhibit C to this Sublease, and shall so remain throughout the term of this Sublease except as otherwise provided in this Sublease.

(c) This Sublease is subject to the terms of the Lease. ICHA warrants that the Lease has been duly and properly executed and that it is not in default under the terms of the Lease.

(d) ICHA covenants to the Home Owner that, at all times during the term of this Sublease and so long as the Home Owner is not in default under the terms of this Sublease, the Home Owner shall hold, occupy, and enjoy the Property without disturbance or hindrance by ICHA or by any other person claiming under or by right of ICHA.

Section 2.05. Uses and Purposes.

(a) The Home Owner shall not use or permit any other Person to use the Property in any way that constitutes a nuisance. The Home Owner shall conform to, and cause any Person using or occupying the Property and any person present in the Community Space by license or invitation of the Home Owner, to comply with the Regulations and with all other applicable public laws, ordinances, and regulations (including all University regulations). The Home Owner agrees to hold harmless The Regents, ICHA, and the HRB from any penalty, damages, or charge imposed for any violation of the Regulations or of any law, ordinance, or other regulation applicable to the use and occupancy of the Property or Community Space occasioned by the negligent or willful act or omission of the Home Owner or by any Person present on the Property or in the Community Space by license or invitation of the Home Owner.

(b) Notwithstanding the provisions of subsection (a) of this Section 2.05, the Home Owner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to ICHA, the HRB, or The Regents, the validity or application of any present or future public law, ordinance, or regulation which restricts the use of the Property or which requires the Home Owner to repair, maintain, alter, or replace the improvements located on the Property, provided that the Home Owner shall not have the right to contest the validity or application of the Regulations. The Home Owner 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 the Home Owner shall protect The Regents, ICHA, the HRB, and the Property from any lien by adequate surety bond or other appropriate security. The Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Property or the improvements on the Property to foreclosure or execution sale.

(c) The Home Owner shall not, without the express prior approval of ICHA or the HRB, requested and rendered in accordance with the requirements of the Regulations, permit the demolition or removal of any improvement or fixture located on the Property.

Section 2.06. Taxes and Assessments.

(a) The parties acknowledge that the Home Owner may be subject to the payment of property taxes as well as other taxes and assessments which may be imposed by governmental entities against the Property or against the Home Owner's possessory interest in the Property. In such event, the Home Owner shall have sole responsibility for paying or assuring the payment of such taxes and assessments. Any such tax or assessment may be paid in installments when so allowed by the taxing or assessing governmental entity.

(b) The Home Owner agrees to hold harmless The Regents and ICHA for the payment of any tax or assessment required to be paid pursuant to subsection (a) of this Section 2.06. Subject to the provisions of subsection (c) of this Section 2.06, the Home Owner further agrees to prevent any such tax or assessment from becoming a

delinquency lien upon the Property. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, The Regents and ICHA shall have the right but not the obligation to pay such tax or assessment. In the event that The Regents or ICHA makes any such payment, the amount of the payment shall be immediately due and payable to the payor by the Home Owner and shall bear interest pending payment by the Home Owner at the Sublease Interest Rate.

(c) The Home Owner shall have the right, at his own cost, 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. However, the Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Property or any improvements on the Property to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, The Regents and ICHA shall not have the right to pay, remove, or discharge any tax or assessment so contested, provided that the Home Owner shall protect The Regents, ICHA, and the Property from any lien by adequate surety bond or other security deemed appropriate by ICHA.

(d) The Home Owner's obligation to pay taxes and assessments levied and assessed against the Property shall exclude, without limitation, the following taxes and charges, however denominated: business, income, or profits taxes levied or assessed against The Regents, ICHA, or the HRB by a federal, state, or other governmental entity; or succession or transfer taxes of The Regents, ICHA, or the HRB.

Section 2.07. Insurance.

(a) Except in the case of a Townhome Unit for which ICHA has elected to obtain insurance pursuant to subsection (b) of this Section 2.07, the Home Owner agrees, at the Home Owner's sole cost and expense, to keep all of the Home Owner's improvements on the Property insured at all times throughout the term of this Sublease (including any period of time during which any building is in the process of construction, remodeling, or demolition), by "all risk" property insurance coverage which may, at the Home Owner's option (unless otherwise required by The Regents or ICHA), exclude earthquake and flood coverage. Such insurance shall be in an amount not less than ninety percent (90%) of the full insurable value of the improvements, provided that such insurance is ordinarily and customarily available.

(b) In the case of a Townhome Unit, ICHA may elect, but shall not be obligated to so elect, to obtain blanket insurance coverage comparable to that required by Subsection (a) of this Section 2.07 insuring that Townhome Unit and the Townhome Units to which it is connected. If ICHA elects to obtain such insurance:

(i) The insurance shall be for the benefit of the Home Owner and each Home Owner of a Townhome Unit for which insurance is obtained by ICHA shall be assessed for his pro rata share of the cost of the insurance coverage. Each assessment made pursuant to this subsection (b)(i) of this Section 2.07, together with any late charge, interest, collection costs, and reasonable attorneys' fees, shall be the personal

obligation of the Home Owner at the time such assessment is due and payable. The personal obligation for delinquent assessments shall not pass to Successor Home Owners unless expressly assumed by them. The Regents, ICHA, or any nonprofit corporation or unincorporated association established or selected by ICHA pursuant to subsection (b)(ii) of this Section 2.07, as the case may be, may bring an action at law against the Home Owner personally obligated to pay such assessments and shall have a lien against the Property and improvements on the Property for so long as the Home Owner retains an interest in them for the amount of delinquent assessments, interest, costs, and actual attorneys' fees resulting from any such action.

(ii) ICHA reserves the right to assign any obligation it may undertake with regard to obtaining property insurance for a Townhome Unit to a nonprofit corporation or unincorporated association established or selected by ICHA for the purpose, among other purposes, of assuring that property insurance is properly obtained and maintained for the benefit of the Home Owner of the Townhome Unit.

(iii) No Home Owner of a Townhome Unit shall separately insure his improvements against any loss or casualty covered by any insurance carried by ICHA or any nonprofit corporation or unincorporated association established or selected by ICHA pursuant to subsection (b)(ii) of this Section 2.07. If any Home Owner violates this provision, any diminution in insurance proceeds otherwise payable under policies obtained by ICHA or such nonprofit corporation or unincorporated association that results from the existence of such other insurance will be chargeable to the Home Owner who acquired such other insurance. The Home Owner of a Townhome Unit for which ICHA has elected to obtain insurance may, however, insure his personal property against loss. In addition, any improvements made by a Home Owner within his Townhome Unit may be separately insured by the Home Owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's improvements." All such insurance that is carried by an individual Home Owner must contain a waiver of subrogation rights by the insurer as to Home Owners of other Townhome Units, ICHA, The Regents, or any nonprofit corporation or unincorporated association established or selected by ICHA pursuant to subsection (b)(ii) of this Section 2.07.

(c) The Home Owner agrees, at the Home Owner's expense, to purchase and to maintain at all times throughout the term of this Sublease comprehensive personal liability insurance covering the Home Owner's interests in the Property. The coverage required shall not exceed that generally required in Orange County, California by mortgagors of property of comparable value to the Property and improvements on the Property.

(d) All insurance provided for in this Section 2.07 shall be effected under valid and enforceable policies issued by insurers licensed to do so in the State of California. To the extent ordinarily and customarily available, all insurance provided for in subsections (a) or (b)(i) of this Section 2.07 shall name The Regents and ICHA as additional insureds and shall contain a waiver of subrogation rights by the insurer as to The

Regents and ICHA. A certificate of each insurance policy shall be provided to ICHA upon commencement of the term of this Sublease and upon the renewal of each policy.

Section 2.08. Ownership of Improvements. All improvements made or constructed on the Property following the effective date of this Sublease shall be the property of the Home Owner or of Successor Home Owners during the term of this Sublease. Upon expiration or termination of this Sublease, all improvements located on the Property shall become the property of ICHA or, if such expiration or termination shall occur simultaneously with the expiration or termination of the Lease, The Regents, subject to the provisions of Section 6.06 of this Sublease.

Section 2.09. Condition of Property. The Home Owner hereby accepts the Property "as is" and acknowledges that the Property is in satisfactory condition. ICHA shall not be responsible for any land subsidence, slippage, soil instability, or damage resulting from such conditions.

Section 2.10. Nonliability of The Regents, ICHA, and the HRB. This Sublease is made on the express condition that The Regents, ICHA, and the HRB are to be free from all liability or loss by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether on the Property, or in any way connected with the Property or with the improvements or personal property on the Property, including any liability for injury or death to the person or damage to or loss of property of the Home Owner, his agents, officers, servants, or employees except to the extent that said injury or damage is caused by the willful or negligent act or omission of The Regents, ICHA, or the HRB, respectively. Accordingly, in addition to the assurances set forth in Sections 2.05, 2.06, 2.11, and 4.07 of this Sublease, the Home Owner agrees to hold harmless The Regents, ICHA, and the HRB and their officers, employees, and agents from any and all liability, loss, costs, or obligations on account of, or arising out of, any such injury or loss. As among the parties described in this Section 2.10 and except as limited herein, the Home Owner shall assume all risks of injury or death of any person or damage to or loss of any property of the Home Owner and any property under the control or custody of the Home Owner while upon the Property.

Section 2.11. Liens and Encumbrances.

(a) Subject to the provisions of Sections 2.06 and 5.02 of this Sublease, the Home Owner agrees to keep the Property free and clear of any liens or encumbrances created by the Home Owner's acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies, or equipment to the Home Owner. The Home Owner further agrees to hold harmless The Regents, ICHA, and the HRB from any such liens, claims, or demands, and from any related costs, damages, or liability.

(b) The Home Owner agrees to provide ICHA (and through ICHA, The Regents) written notice of any work of improvement (as defined in Section 3106 of the California Civil Code) at least twenty (20) days before beginning the work of improvement and to

permit ICHA and/or The Regents to post on the Property or improvements 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 Property or the improvements thereon which purports to be a lien against the interests of ICHA or The Regents, the Home Owner agrees to purchase and record, at the Home Owner's sole cost and expense, a bond adequate to remove the purported lien against the interests of ICHA or The Regents.

Section 2.12. Destruction and Restoration. If, during the term of this Sublease, the improvements on the Property are wholly or partially destroyed by a risk covered by insurance, the Home Owner shall promptly restore the improvements to substantially the same condition as they were in immediately prior to such destruction, and such destruction shall not terminate this Sublease; provided that, in any case of whole or partial destruction of a Townhome Unit, the insurance proceeds received by the Home Owner shall be assigned to ICHA or its designee, and ICHA or its designee shall promptly undertake restoration of the Improvements.

ARTICLE III. - IMPROVEMENTS ON PROPERTY AND ASSIGNMENT/SUBLEASE OF INTERESTS UNDER SUBLEASE

Section 3.01. Plans and Specifications.

(a) Prior to the commencement of any construction or renovation on the Property by the Home Owner (i) affecting the outward appearance of the Property or any improvement on the Property or (ii) affecting the structural integrity of any improvement on the Property, the Home Owner shall submit for the HRB's approval plans and specifications for such construction or renovation. Such plans and specifications shall be in such detail and prepared in such manner as prescribed in the Regulations and as may reasonably be required to permit the HRB, ICHA, and The Regents 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 the Home Owner without the HRB's approval of the plans and specifications.

(b) It is expressly understood and agreed that the HRB's, ICHA's, or The Regents' approval of plans and specifications as required by this Section 3.01 shall not make the HRB, ICHA, or The Regents responsible or liable to the Home Owner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given.

(c) ICHA acknowledges that it is common practice in the construction industry to make changes in designs contained in plans and specifications during the course of construction. Accordingly, ICHA agrees that changes that do not substantially alter plans and specifications previously approved by the HRB or The Regents do not have to be submitted to the HRB for separate approval.

Section 3.02. Demolition of Improvements. During the term of this Sublease, the Home Owner shall not demolish any structure on the Property without the express written consent of ICHA or the HRB, requested and rendered in accordance with the requirements of the Regulations. It is expressly understood that such consent shall be entirely within the HRB's discretion to grant or to withhold, subject to the appeal rights set forth in the Regulations. Any consent by the HRB or ICHA to such a request may be conditioned upon a requirement that the Home Owner immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 3.01 of this Sublease and shall be otherwise consistent with the terms of this Sublease.

Section 3.03. Utility Services. The Home Owner agrees to pay standard charges for each connection of the Home Owner's housing unit to utility lines (other than those utility lines to which the housing unit is connected at the time of the Home Owner's purchase) and for all utility services used by the Home Owner.

Section 3.04. Assignment of Property.

(a) The Home Owner may, subject to the terms and conditions of subsection (b) of this Section 3.04 and of Sections 3.06, 3.07, 3.08, and 3.09 of this Sublease, sell and convey his housing unit and assign his interest under this Sublease in the Property to any person qualifying under Section 3.05 of this Sublease. Upon the above-described sale, if the remaining term of this Sublease is less than sixty (60) years, the Successor Home Owner purchasing such housing unit may request that (i) this Sublease and the portion of the Lease affecting the Property be terminated and (ii) a new direct lease from The Regents be granted on the same general terms as this Sublease except that the term of such new lease shall not exceed sixty (60) years. Each subsequent qualifying purchaser under Section 3.05 of this Sublease shall have similar rights to request that this Sublease or the then applicable lease be terminated and a new direct lease from The Regents be granted for a term of not to exceed sixty (60) years. The Regents have agreed to consider such requests favorably if, in The Regents' judgment, the goals of the Housing Program are then being achieved. In no event, however, shall the term of this Sublease and of any new lease granted by The Regents be construed to extend beyond the term permitted by law.

(b) A transfer by the Home Owner described in subsection (a) of this Section 3.04 will be effective only if, at the time of such assignment, the Home Owner shall (i) pay to ICHA for the benefit of The Regents the full share of appreciation, if any, in the value of the improvements being sold which is due to ICHA pursuant to Section 3.09 and Exhibit B of this Sublease; (ii) pay any and all assessments due and owing which may have been imposed pursuant to the powers reserved in Sections 4.04 or 4.05 of this Sublease or, if any such 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 the Home Owner held an interest in the Property; (iii) reimburse ICHA with respect to any reasonable costs incurred by ICHA in the exercise of its right of abatement as provided in Section 6.03 of the Regulations; and (iv) repay to the University or ICHA, as

appropriate (with interest if any), the full amount of any cash assistance, equity, second mortgage, or other loans made by the University to the Home Owner in connection with the Home Owner's occupancy of such improvements.

Section 3.05. Transfers to Eligible Assignees.

(a) With respect to any assignment by the Home Owner of the Property, the Home Owner shall offer the Property and improvements located on the Property for assignment and sale to prospective Successor Home Owners in accordance with the following priority system and such other rules and procedures as may be specified by ICHA:

(i) For a period of at least thirty (30) days following notification by the Home Owner to ICHA of the Home Owner's intent to assign his interest in the Property and sell the improvements on the Property, the University shall have the option to accept such assignment and purchase such improvements at a price equal to the lesser of [A] the price offered by the Home Owner or [B] the Maximum Resale Price. Such option of the University shall be fully and freely assignable to such persons and upon such terms and conditions as the University in its sole and absolute discretion may determine. If the University or its assignee notifies the Home Owner within the above-described thirty (30) day period that the option of the University will be exercised, the assignment and sale transaction between the University or its assignee and the Home Owner shall be closed within ninety (90) days after such notice has been given.

(ii) Upon expiration of the thirty (30) day period described in paragraph (i) above (or sooner if the University notifies the Home Owner that the University declines to exercise or assign its option), the Home Owner's interest in the Property and the improvements on the Property must, for a period of at least sixty (60) days, be offered for assignment and sale to Designated University-Associated Persons, to members of the Academic Senate, to University Senior Managers, and to Designated Current Owners.

(iii) Upon expiration of the sixty (60) day period described in paragraph (ii) above, the Home Owner's interest in the Property and the improvements on the Property must, for a period of at least sixty (60) days, be offered for assignment and sale to the members of the University's salaried nonfaculty academic staff and University Managers and Senior Professionals, as well as to the persons described in paragraph (ii) above.

(iv) Upon expiration of the sixty (60) day period described in paragraph (iii) above, the Home Owner's interests in the Property and the improvements on the Property must, for a period of at least sixty (60) days, be offered for assignment and sale to the members of the University's salaried nonacademic staff, as well as to the persons described in paragraphs (ii) and (iii) above.

(v) Part-time employees of the University are ineligible for the priority categories described in paragraphs (ii) through (iv) above, with the exception of those Academic Senate members considered by the University to be in full-time service to the University.

(vi) Upon expiration of the sixty (60) day period described in paragraph (iv) above, the University shall, for a period of at least thirty (30) days, have the option to accept an assignment of the Home Owner's interest in the Property and purchase the improvements on the Property at a price equal to the lowest of [A] the price offered by the Home Owner; [B] ninety percent (90%) of the Maximum Resale Price; or [C] should the University elect to have the improvements appraised, ninety percent (90%) of the appraised value of the improvements (i.e., the value of the housing unit on the Property without accounting for the value of the unimproved Property). Such option of the University shall be fully and freely assignable to such persons and upon such terms and conditions as the University in its sole and absolute discretion may determine. If the University or its assignee notifies the Home Owner within the above-described thirty (30) day period that the option of the University will be exercised, the assignment and sale transaction between the University or its assignee and the Home Owner shall be closed within ninety (90) days after such notice has been given.

(vii) Upon expiration of the thirty (30) day period described in paragraph (vi) above (or sooner if the University notifies the Home Owner that the University declines to exercise or assign its option), the Home Owner's interest in the Property and the improvements on the Property may be offered for assignment and sale to the general public subject to the Home Owner's commitment to give priority to University Attendees in selecting a Person to whom the Home Owner will assign and sell the Property and its improvements.

Unless otherwise specified by ICHA, the Home Owner shall be considered to have fulfilled the offering requirements of clauses (ii), (iii), and (iv) above by providing a notification to ICHA of an intent to assign and sell under each such clause with the terms of such assignment and sale.

(b) The provisions of subsection (a) of this Section 3.05 shall not apply to a Lender holding the Property and the improvements on the Property as provided in subsection (f) of Section 5.02 of this Sublease.

(c) At each step in the offering process described in subsection (a) of this Section 3.05, the Home Owner's interest in the Property and the improvements on the Property must be offered for assignment and 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/assignees. Further, the Home Owner's offer to assign and sell his or her interests in the Property and the improvements thereon must not be conditioned in any manner on the purchase, lease, or rental of any other real or personal property in which the Home Owner has an interest. The Home Owner shall certify to ICHA that he/she has complied with the requirements of this Section 3.05,

including the requirements of this subsection (c). Except as may be expressly waived by ICHA, no closing of any assignment and sale transaction between the Home Owner and a Successor Home Owner shall occur within fifteen (15) days of the giving of such certification, during which period ICHA may review and, as appropriate, challenge the certification of the Home Owner. In the event of any such challenge by ICHA, the closing shall not proceed until such time as The Regents are satisfied that the requirements of this Section 3.05 have been fulfilled.

(d) In addition to its other rights, the University shall be deemed to be an eligible Successor Home Owner during any step in the offering process described in subsection (a) of this Section 3.05.

(e) The Home Owner shall not discriminate against prospective Successor Home Owners on the basis of race, religion, sex, color, marital status, sexual orientation, or national origin.

(f) Except as provided in subsection (f) of Section 5.02 of this Sublease, any assignment and sale transaction undertaken in violation of the provisions of this Section 3.05 shall be void and of no force or effect.

Section 3.06. University's Option To Purchase in Cases of Changed Circumstances.

(a) Upon the occurrence of any event described in subsection (b) of this Section 3.06 and except as provided in subsection (f) of Section 5.02 of this Sublease, the University shall, until the expiration of sixty (60) days following the University's receipt of notice from the Home Owner of such event, have an option to require the assignment of the Home Owner's interest in the Property and to purchase the improvements on the Property at a price equal to the lesser of (i) the Maximum Resale Price or (ii) the current appraised value of the improvements (i.e., the value of the improvements on the Property without accounting for the value of the unimproved Property). Such option of the University shall be fully and freely assignable to such persons and upon such terms and conditions as the University in its sole and absolute discretion may determine. If the University or its assignee notifies the Home Owner within the above-described sixty (60) day period that its option will be exercised, the assignment and sale transaction between the University or its assignee and the Home Owner shall be closed within one hundred eighty (180) days after such notice has been given.

(b) The option of the University described in subsection (a) of this Section 3.06 shall be exercisable in any of the following circumstances:

(i) The Home Owner is an employee of the University who voluntarily resigns his position, or whose contract with the University expires and is not renewed, or whose employment is terminated by the University; or

(ii) The Home Owner is an employee of the University who in the determination of the University experiences a permanent change to an appointment status not considered to be a career or regular position or to an appointment status not considered to be in full-time service to the University; or

(iii) A Non-University-Associated Person or Persons receives an interest in the Property and the improvements on the Property by will or operation of law or otherwise, except when the Non-University-Associated Person is a surviving spouse or Domestic Partner of a deceased Home Owner or Successor Home Owner who has not remarried or established a new Domestic Partnership with a Non-University-Associated Person; or

(iv) A Non-University-Associated Person who is a surviving spouse or Domestic Partner of a deceased Home Owner or Successor Home Owner receives an interest in the Property and the improvements on the Property by will or operation of law or otherwise and subsequently remarries or establishes a new Domestic Partnership with a Non-University-Associated Person; or

(v) A Non-University-Associated Person is awarded occupancy rights in the Property and the improvements on the Property by a court or other tribunal as a result of divorce, separation, termination of a Domestic Partnership, or other legal proceedings.

(c) In all other cases of changed circumstances including, without limitation, the retirement of a Home Owner who is an employee of the University or the temporary or permanent disability of a Home Owner who is an employee of the University, the Home Owner may continue to hold his or her interest in the Property and to own and occupy the improvements on the Property on the same terms and conditions as prevailed before such change in circumstances.

(d) The acquisition of a fifty percent (50%) or less undivided interest in the Property and the improvements thereon by a Non-University-Associated Person or Persons shall not constitute an event pursuant to which the University may exercise its option, if the remaining undivided interest is wholly owned by a Home Owner who qualified under Section 3.05 of the Lease to acquire such interest and who occupies the Property and the improvements thereon as his or her principal residence.

Section 3.07. Use of Property for Residential Purposes.

(a) Except as provided in subsections (b), (c), and (f) of this Section 3.07, the Home Owner shall reside on the Property, and the Property shall be used only as the principal place of residence of such Home Owner and for no other purpose.

(b) If the Home Owner, with the consent of ICHA or the HRB in accordance with the requirements of the Regulations, demolishes a housing unit on the Property, the requirement of subsection (a) of this Section 3.07 shall not be applicable until such time as a new housing unit is constructed on the Property, provided that such housing unit

shall be under ongoing construction within six (6) months of the date on which demolition of the prior housing unit commenced.

(c) Subject to rules which may be promulgated by The Regents, the Home Owner will be permitted to rent a housing unit to a University-Associated Person on a short-term basis (i.e., for periods not exceeding two (2) years), as when the Home Owner is away from the UCI campus on sabbatical or has left the employment of the University but has been unable to sell said housing unit. Subject to rules which may be promulgated by The Regents, a Home Owner will be permitted to rent a housing unit to a Non-University-Associated Person on a short-term basis (i.e., for periods not exceeding two (2) years), as when the Home Owner is away from the UCI campus on sabbatical or has left the employment of the University but has been unable to sell said housing unit, if, as determined in the sole discretion of The Regents, the Home Owner has made reasonable efforts to rent to a University-Associated Person and has been unsuccessful in so doing. Nothing contained in this subsection (c) or in subsection (a) of this Section 3.07 shall be construed as prohibiting the rental of any housing unit owned by ICHA or the Regents.

(d) Either ICHA or The Regents may require of the Home Owners such information as may be reasonably necessary to determine compliance with the provisions of this Section 3.07.

(e) In the event that ICHA or The Regents determines that the Home Owner is in violation of the requirements of this Section 3.07, The Regents shall have the option to require the assignment of the Home Owner's interest in the Property and purchase the improvements on the Property on the same terms and conditions as specified in subsection (a) of Section 3.06 of this Sublease.

(f) Nothing contained in this Section 3.07 shall prohibit the holding of an interest in the Property by a Lender following a foreclosure or a transfer by a deed-in-lieu of foreclosure of a housing unit built on the Property.

Section 3.08. Resale Price Limitations.

(a) To assure that a housing unit constructed on the Property will remain affordable by members of the University community, the parties agree that a resale price limitation will be imposed on each resale transaction involving such unit. To accomplish this purpose, the Property may not be assigned pursuant to the provisions of Section 3.04 of this Sublease nor may any improvements located on the Property be sold by the Home Owner at a price for such assignment and sale that is greater than the Maximum Resale Price of the Property as described in subsection (b) of this Section 3.08, except as provided in subsections (f) and (h) of Section 5.02 of this Sublease.

(b) The Maximum Resale Price of the Property shall be:

(i) the purchase price of the housing unit (such term to include all real property improvements and upgrades thereto, fixtures, and attached personalty customarily transferred upon resale all to the extent initially purchased with the housing unit) on the Property as paid by the Home Owner; plus

(ii) the purchase price of the housing unit on the Property as paid by the Home Owner multiplied by the Fractional Increase in the Resale Price Index as defined as follows:

[A] As used in this subsection (b), the "Resale Price Index" means the single index, chosen from among the following three indices, which produces the greatest positive change over the entire period described in clause [D] of this subsection: (1) the Los Angeles City Cost Index for a Type D Building (Wood Frame Construction) of the Comparative (Replacement) Cost Indexes Section (Section 98) of the Marshall Valuation Service published by Marshall and Swift Publications Co. (the "Marshall and Swift Index"), (2) the Faculty Salary Index, or (3) the Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers: Los Angeles-Anaheim-Riverside (the "CPI-W");

[B] If the Marshall and Swift Index ceases to be published, it shall be replaced with any other index designated by The Regents which measures changes in the replacement cost of residential housing in or near Orange County, California;

[C] If the CPI-W ceases to be published, it shall be replaced with any index designated by The Regents which measures changes in the cost of living in or near Orange County, California;

[D] As used in this subsection (b), the "Fractional Increase in the Resale Price Index" shall be equal to the fractional change in the applicable Resale Price Index, immediately before the Home Owner purchased the housing unit and such index immediately before the Home Owner either commenced the process of selling the housing unit and other improvements or was required to commence such process pursuant to the terms of this Sublease; plus

(iii) the fair market value of each subsequent improvement made by the Home Owner in accordance with the following:

[A] ICHA shall prepare a list of qualifying improvements which may be considered in calculating the Maximum Resale Price (the "Qualified Improvements"). This list shall be available to the Home Owner and shall be updated from time to time by ICHA as it deems necessary. ICHA shall provide the list of the Qualified Improvements, as it is updated from time to time, to those appraisers having the MAI or RM designation whom The Regents deems to be qualified to and interested in assisting the Home Owner (the "Qualified Appraisers"). The Regents shall have the right to remove appraisers from the list or add new appraisers as it deems appropriate.

[B] If the Home Owner desires to have the Qualified Improvements included in the Maximum Resale Price, not more than thirty (30) days before the Home Owner commences the process of selling the housing unit and the other improvements, the Home Owner shall so notify ICHA and through ICHA choose a Qualified Appraiser. The cost of such appraisal shall be paid by the Home Owner and shall be added to the Maximum Resale Price. The Home Owner shall be required to complete a form identifying the Qualified Improvements to be appraised stating the date each improvement was made;

[C] The Maximum Resale Price shall include the Qualified Appraiser's fair market value of the Qualified Improvements (the "Appraised Value"), unless within five (5) days after the Home Owner receives such appraisal he or she gives notice to ICHA that the Appraised Value is unsatisfactory. In such case, the Home Owner may choose another Qualified Appraiser. If the second Qualified Appraiser's Appraised Value differs from the first Qualified Appraiser's Appraised Value by less than twenty-five percent (25%), whether higher or lower, the fair market value of the Qualified Improvements shall be the mean average of the two Appraised Values. If the second Qualified Appraiser's Appraised Value is higher, ICHA shall pay the cost of the second appraisal; if the second Qualified Appraiser's Appraised Value is lower, the Home Owner shall pay the cost of the second appraisal, which cost shall not be included in the Maximum Resale Price. If the Second Qualified Appraiser's Appraised Value differs from the first Qualified Appraiser's Appraised Value by twenty-five percent (25%) or more, whether higher or lower, ICHA shall pay for a third appraisal by a Qualified Appraiser and the fair market value of the Qualified Improvements shall be the mean average of the three Appraised Values; and

[D] There will not be subtracted from the fair market value of any Qualified Improvement the remaining depreciated value of any improvement replaced by a Qualified Improvement; plus

(iv) The out-of-pocket cost of incidental improvements made to the housing unit or the Property within ninety (90) days prior to the commencement of the process of selling the housing unit in order to improve the appearance of the Property, including but not limited to interior and exterior painting, repairs, and grass seeding. The Home Owner shall be required to provide ICHA with satisfactory proof of the cost of such incidental improvements. ICHA shall have the right to disallow any such incidental improvement which, in its reasonable judgment, is not customarily undertaken by a home owner in preparation for sale or it may disallow that portion of the cost which ICHA believes, in its reasonable judgment, exceeds the reasonable cost of any such incidental improvement.

(c) Pursuant to the terms of the Lease, ICHA is empowered to promulgate and distribute regulations, from time to time, to implement the provisions of subsection (b) of this Section 3.08, which regulations shall be binding on the Home Owner.

Section 3.09. Notice of Transfer and Adjustment to Rent for the Property.

(a) No later than fifteen (15) days prior to the closing of any transaction as described in Section 3.05 of this Sublease, the Home Owner shall notify ICHA of the proposed resale/assignment. The notice shall identify the Successor Home Owner and describe his relationship, if any, to the University. ICHA may from time to time specify other information which must be included in such notice. If the Successor Home Owner is a University-Associated Person, then the Successor Home Owner shall, simultaneously with such notice, notify ICHA of the rental payment plan set forth in subsection (b) of this Section 3.09 that he or she has elected or is required to use in making rental payments under this Sublease. Upon the transfer of the Property to the Successor Home Owner, the rent paid with respect to the Property shall be adjusted, as necessary, in accordance with such election or as required by other provisions of this Section 3.09.

(b) Subject to the requirements of subsection (d) of this Section 3.09, the rental payment plans available to any Successor Home Owner who is a University-Associated Person shall include the following:

(i) An option under which the Successor Home Owner pays ICHA [A] for the first five (5) years of the assigned lease term, current monthly rent based on four percent (4%) per annum of the "imputed land value" (as defined below); and [B] for the remaining years of the assigned lease term current monthly rent based on four percent (4%) per annum of the initial "imputed land value" plus added rent of four percent (4%) per annum of the incremental increase, if any, in the "imputed land value" as determined by revaluation after the initial five (5) years of the assigned lease term and revaluation every five (5) years thereafter or on the date on which a resale/reassignment transaction is closed, whichever occurs first, but provided that the total amount of any incremental increase in imputed land value so computed does not exceed ten percent (10%) every year or fifty percent (50%) every five (5) years; plus [C] deferred rent equal to ten percent (10%) of the remaining amount, if any, derived by the Successor Home Owner at the time of any resale/assignment after the following three items are subtracted from the resale price of the housing unit: (1) the purchase price of the housing unit on the Property as paid by the Successor Home Owner, (2) the fair market value of the Qualified Improvements, and (3) those incidental improvements qualifying under paragraph (iv) of subsection (b) of Section 3.08;

(ii) An option under which the Successor Home Owner pays ICHA [A] for the first five (5) years of the assigned lease term, current monthly rent based on two percent (2%) per annum of the "imputed land value" (as defined below); and [B] for the remaining years of the assigned lease term, current monthly rent based on two percent (2%) per annum of the initial "imputed land value" plus added rent of four percent (4%) per annum of the incremental increase, if any, in the "imputed land value" as determined by revaluation after the initial five (5) years of the assigned lease term and revaluation every five (5) years thereafter or on the date on which a resale/assignment transaction is closed, whichever occurs first, but provided that the total amount of any incremental

increase in imputed land value so computed does not exceed ten percent (10%) every year or fifty percent (50%) every five (5) years; plus [C] deferred rent equal to twenty percent (20%) of the remaining amount, if any, derived by the Successor Home Owner at the time of any resale/assignment after the following three items are subtracted from the resale price of the housing unit: (1) the purchase price of the housing unit on the Property as paid by the Successor Home Owner, (2) the fair market value of the Qualified Improvements, and (3) those incidental improvements qualifying under paragraph (iv) of subsection (b) of Section 3.08;

(iii) An option under which the Successor Home Owner pays ICHA [A] for the first five (5) years of the assigned lease term, no current monthly rent; but [B] for the remaining years of the assigned lease term, current monthly rent based on four percent (4%) per annum of the incremental increase, if any, of the "imputed land value" (as described below) over the initial "imputed land value" as determined by revaluation after the initial five (5) years of the assigned lease term and revaluation every five (5) years thereafter or on the date on which a resale/assignment transaction is closed, whichever occurs first, but provided that the total amount of any incremental increase in imputed land value so computed does not exceed ten percent (10%) every year or fifty percent (50%) every five (5) years; plus [C] deferred rent equal to thirty percent (30%) of the remaining amount, if any, derived by the Successor Home Owner at the time of any subsequent resale/assignment after the following three items are subtracted from the resale price of the housing unit: (1) the purchase price of the housing unit on the Property as paid by the Successor Home Owner, (2) the fair market value of the Qualified Improvements, and (3) those incidental improvements qualifying under paragraph (iv) of subsection (b) of Section 3.08; and

(iv) An option under which the Successor Home Owner pays ICHA a total rent during the assigned lease term determined by that Successor Home Owner's selection of (i), (ii), or (iii) above, with a maximum amount or "cap" on the rent obligation applicable to all rent payable under the terms of this Sublease, excluding home owner assessments and other similar costs payable under this Sublease. This option shall be available only to a University-Associated Person who is the mortgagor under a mortgage funded through Mortgage Subsidy Bonds or has received a Mortgage Credit Certificate. This option must be selected by such Successor Home Owner in order to be eligible for said bond-financed mortgage or credit certificate. The "cap" shall be determined as follows: [A] the capitalized value of all ground rent payable by such Successor Home Owner shall not exceed (1) one hundred ten percent (110%) of the safe harbor average area purchase price established by the Internal Revenue Service for purposes of the Mortgage Subsidy Bond and Mortgage Credit Certificate Programs as of the "Determination Date," less (2) the acquisition cost (as defined in the applicable Internal Revenue Service regulations for the Mortgage Subsidy Bond and Mortgage Credit Certificate Programs as of the Determination Date) of the improvements; [B] the "Determination Date" shall be the date on which the commitment is made to provide financing for the Successor Home Owner to purchase the improvements or, if earlier, the close of escrow for the purchase of the improvements; [C] the capitalized value of the rent payable under this Sublease shall be the net present value of such payments

(as of the Determination Date) determined by using a discount rate which complies with the applicable Internal Revenue Service regulations pertaining to the purchase price limits under the Mortgage Subsidy Bond and Mortgage Credit Certificate Programs.

As used in clauses (i), (ii), and (iii) above, the term "revaluation" means an alteration based on the lesser of [A] the difference in the CPI-W as measured by reference to the CPI-W Index published immediately prior to the date on which the Property was leased or last revalued and the CPI-W Index published immediately prior to the date of the current revaluation or [B] the change in the Faculty Salary Index during the above period; and the term "imputed land value" means the value of the land as set forth in Exhibit B to this Sublease.

(c) With respect to the assignment of the Property to a Home Owner who is a Non-University-Associated Person, the rent paid with respect to such Property will, upon the transfer, be adjusted as described in paragraph (i) of subsection (b) of this Section 3.09.

(d) If the Successor Home Owner receives financial assistance from the University for the purchase of the housing unit on the Property the Successor Home Owner may be required to elect the rental payment plan provided in paragraph (iii) of subsection (b) of this Section 3.09.

(e) The Home Owner or Successor Home Owner shall execute such additional documents or instruments as may be required by ICHA to evidence the adjusted rent obligations of the Successor Home Owner and the shared appreciation rights imposed and conferred by this Section 3.09.

Section 3.10. Effect of Assignment to a Successor Home Owner.

(a) The transfer of the Property under Section 3.04 of this Sublease shall be a full and complete assignment. Following the effective date of the assignment, the Home Owner shall have no further interest in the Property by virtue of this Sublease.

(b) Following each assignment under Section 3.04, the Successor Home Owner shall assume all of the obligations and responsibilities imposed on the Home Owner under this Sublease, and all references in this Sublease to the Home Owner shall be deemed to refer to such Successor Home Owner.

Section 3.11. Notice of Sale Price. No later than fifteen (15) days prior to the closing of any resale/ reassignment transaction, the Home Owner and Successor Home Owner shall notify ICHA of the sale price to be derived by the Home Owner, to be certified by ICHA upon presentation of adequate documentation (in such form as may be prescribed by ICHA) by the Home Owner and Successor Home Owner. Certification by ICHA shall establish compliance with the resale price limitations contained in Section 3.08 of this Sublease. The price as certified by ICHA shall be used in calculating the appreciation, if any, in the value of the improvements derived by the Home Owner as

provided in Section 2.03 and Exhibit B of this Sublease. The price as certified by ICHA shall be the purchase price used in calculating the appreciation derived by the Successor Home Owner upon resale/reassignment, as provided in Section 3.09 of this Sublease.

Section 3.12. Limitation of Rights of Assignment or Subletting.

(a) Except as provided in Section 5.02 of this Sublease or as may be expressly approved by ICHA, the Home Owner shall not grant, assign, sublease, exchange, or otherwise transfer any of his rights under this Sublease other than in conformity with the provisions of this Article III, and any such attempted grant, assignment, sublease, exchange, or other transfer shall constitute a breach of this Sublease.

(b) Any grant, assignment, sublease, exchange, or other transfer of any rights under this Sublease, other than in compliance with Section 5.02 of this Sublease or this Article III shall be void and of no force or effect.

ARTICLE IV - OTHER RIGHTS AND OBLIGATIONS
OF ICHA AND THE HOME OWNER

Section 4.01. Entry by ICHA, the HRB, and The Regents. Except as described below, no representative of The Regents or ICHA may enter any improvement of the Home Owner on the Property without the Home Owner's prior consent, except in case of an emergency that appears to threaten injury to any person or destruction of any improvement. Representatives of The Regents, ICHA, and the HRB 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 the HRB or ICHA, as provided in Section 3.01 of this Sublease and the Regulations.

Section 4.02. Reservation of Oil, Gas, and Mineral Rights. The Regents have reserved the sole and exclusive right to prospect for, drill for, produce, and take any oil, gas, or other hydrocarbon or mineral substances and accompanying fluids, including all geothermal resources, from the Property from below the depth of five hundred (500) feet from the surface of the Property, including the rights to slant drill, maintain subsurface pressures, and utilize subsurface storage space for natural substances. This reservation does not include the right of entry from surface access, except on Community Space. On behalf of the Home Owner, ICHA shall enforce the provisions of the Lease that the Home Owner shall not be disturbed in his quiet enjoyment and peaceful use of the Property by any drilling or production activities.

Section 4.03. Easements.

(a) ICHA reserves an easement across the Property for maintenance and upkeep purposes. ICHA also reserves the right to grant easements across the Property to utility companies and public agencies for the purpose of installing, operating, or maintaining

lines or conduits 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 Property by the Home Owner.

(b) If the housing unit located on the Property is a Townhome Unit, ICHA reserves an exclusive easement for the repair and maintenance of all exterior walls and surfaces and all roof areas of the housing unit, and the Home Owner shall make no repairs or alterations to such walls, surfaces, or roof areas, and shall not paint or perform other maintenance work on them without ICHA's express approval. Further, in the case of Townhome Units, ICHA reserves an exclusive easement for the maintenance of landscaping installed by ICHA in areas outside the units' privacy walls and the Home Owner shall not perform any maintenance of, or make any alterations to, such landscaping without ICHA's express approval.

(c) If any portion of Community Space or a lot-line fence or wall constructed by or on behalf of ICHA encroaches on the Property or if any portion of the Property encroaches on Community Space, a valid easement shall be deemed to exist for such encroachment and for the maintenance of such encroachment.

(d) Both ICHA and sublessees of contiguous leasehold parcels to the Property have reciprocal easements with the Home Owner for the purpose of accommodating any encroachment occasioned by the natural settlement of any improvement.

(e) If the housing unit located on the Property is a Patio Home, ICHA reserves exclusive front and rear sideyard easements together with the right to grant and transfer such easements to the sublessee of that contiguous leasehold parcel to the Property described in Exhibit F to this Sublease, which easements shall be appurtenant to the lot that benefits from such easements (the "Dominant Tenement") and shall burden the lot over which the easements run (the "Servient Tenement"). ICHA also grants and transfers to the Home Owner the exclusive front and rear sideyard easements described in Exhibit F to this Sublease for the use and benefit of the Home Owner, which easements shall be appurtenant to the Property. The sideyard easements granted and reserved by ICHA, as more fully described in Exhibit F to this Sublease, are granted and reserved pursuant to the following covenants and conditions:

(i) The sideyard easements shall run in favor of the Dominant Tenement over the Servient Tenement for the purpose of accommodating any encroachment occasioned by the natural settlement of any improvement; and

(ii) The sideyard easements shall run over the portion of the Servient Tenement indicated on Exhibit F to this Sublease lying between the boundary of the Dominant Tenement and any wall or fence constructed on the Servient Tenement or the prolongation of the line of such wall or fence to the property line as shown on said Exhibit F to this Sublease, for the purposes of ingress, egress, landscaping, drainage,

the establishment of a general recreational or garden area, and purposes related thereto, subject to the following provisions:

[A] The sublessee of the Servient Tenement shall have the right at all reasonable times to enter upon the sideyard easements, including the right to cross over the Dominant Tenement for such entry, in order to perform work related to the use and maintenance of the Servient Tenement;

[B] The sublessee of the Servient Tenement shall have the right of drainage over, across, and upon the sideyard easements for water draining from any improvement upon the Servient Tenement, the right to maintain eaves and appurtenances thereto and the portions of any improvement upon the Servient Tenement as originally constructed or as constructed pursuant to this Sublease;

[C] The sublessee of the Dominant Tenement shall not attach any object to a fence, wall, or other improvement belonging to the Servient Tenement or disturb the grading of the sideyard easements or otherwise act with respect to the sideyard easements in any manner which would damage the Servient Tenement;

[D] In exercising the right of entry upon the sideyard easements as provided for above, the sublessee of the Servient Tenement agrees to utilize reasonable care not to damage any landscaping or other items existing on the sideyard easements; provided, however, the sublessee of the Servient Tenement shall not be responsible for damage to such landscaping or other items to the extent such damage could not be reasonably avoided in connection with such entry upon the sideyard easements for authorized purposes; and

[E] In the event of any dispute arising concerning the rights and obligations created by this subsection (e) of Section 4.03, the sublessee of the Servient Tenement and the sublessee of the Dominant Tenement shall submit such dispute to ICHA for resolution, and the decision of ICHA shall be binding on the sublessees.

(f) [1]. If the housing unit located on the Property is a "600 Series" Paired Home, ICHA reserves the right to grant and transfer to Home Owner a nonexclusive reciprocal easement on, over and across portions of Community Space for the creation of a Common Driveway Easement appurtenant to the Property to this Sublease for the benefit of the Home Owner and other Home Owners who may share in the use and enjoyment of the Common Driveway Easement. The Common Driveway Easement shall be shown and described in Exhibit G to this Sublease and shall be more particularly described in the Memorandum of Sublease. The Common Driveway Easements are granted and reserved pursuant to the following covenants, conditions, restrictions and limitations:

(i) those portions of the Community Space which are designated in Exhibit G to this Sublease as "Common Driveway Easement" shall be appurtenant to the Property, and shall not be assigned, transferred or

conveyed separately from the Property to which it is appurtenant. No parking shall be permitted within the Common Driveway Easement with the exception of guest parking in an area immediately in front of the garage of the Property. In no event shall the parking of a vehicle in this area limit in any way the access of adjoining Home Owners to their garages. In addition, no vehicle shall be parked such that the vehicle extends into the sidewalk. In the event a Home Owner, or such Home Owner's tenants, lessees, guest or invitees shall soil or stain the Common Driveway Easement in any manner whatsoever including, without limitation, oil drippings, gasoline spillage, etc., the Home Owner shall be responsible for clean up of such condition at such Home Owner's sole cost and expense. If such Home Owner fails or refuses to clean up any such spills, ICHA reserves the right to clean up the affected portions of the Common Driveway Easement and levy an assessment against the Home Owner in an amount sufficient to enable ICHA to recoup the costs and expenses incurred in clean up of the Common Driveway Easement. No repair, maintenance or restoration of any vehicle may be conducted in the Common Driveway Easement. No fixed or movable recreational/play equipment or related facilities shall be permitted within the Common Driveway Easement.

(f) [2]. If the housing unit located on the Property is a "700 Series" Paired Home, ICHA reserves the right to grant and transfer to Home Owner a nonexclusive easement on, over and across portions of Community Space for the creation of a Driveway Easement appurtenant to the Property to this Sublease for the benefit of the Home Owner, its tenants, lessees, guests and invitees. The Driveway Easement shall be shown and described in Exhibit G to this Sublease and shall be more particularly described in the Memorandum of Sublease. The Driveway Easement shall be granted and reserved pursuant to the following covenants, conditions, restrictions and limitations:

(i) those portions of the Community Space which are designated in Exhibit G to this Sublease as "Driveway Easement" shall be appurtenant to the Property, and shall not be assigned, transferred or conveyed separately from the Property to which it is appurtenant. No parking shall be permitted within the Driveway Easement with the exception of guest parking in an area immediately in front of the garage of the Property. In addition, no vehicle shall be parked such that the vehicle extends into the sidewalk. In the event a Home Owner, or such Home Owner's tenants, lessees, guest or invitees shall soil or stain the Driveway Easement in any manner whatsoever including, without limitation, oil drippings, gasoline spillage, etc., the Home Owner shall be responsible for clean up of such condition at such Home Owner's sole cost and expense. If such Home Owner fails or refuses to clean up any such spills, ICHA reserves the right to clean up the affected portions of the Driveway Easement and levy an assessment against the Home Owner in an amount sufficient to enable ICHA to recoup

the costs and expenses incurred in clean up of the Driveway Easement. No repair, maintenance or restoration of any vehicle may be conducted in the Driveway Easement. No fixed or movable recreational/play equipment or related facilities shall be permitted within the Driveway Easement.

(f) [3]. Those portions of the Community Space which have been improved with landscaping such as turf, plants, shrubs, trees and flowers which are immediately adjacent to the housing unit shall be maintained by ICHA. ICHA shall, in its sole discretion, determine the nature and type of landscaping plantings within the Community Space. No Home Owner shall modify or alter the landscape improvements within the Community Space without the prior written approval of ICHA.

(g) If the housing unit located on the Property is a "750 Series" Home, ICHA creates and reserves exclusive sideyard easements together with the right to grant and transfer such easements to the sublessee of the contiguous leasehold parcel to the Property described in Exhibit F to the Sublease, which easements shall be appurtenant to the Lot that benefits from such sideyard easements (the "Dominant Tenement") and shall burden the adjacent lot over which the easements have been created (the "Servient Tenement"). ICHA shall grant and transfer the sideyard easements described in Exhibit F to the Sublease as shall be reflected in that certain Memorandum of Sublease. The sideyard easements created and reserved, as more fully described in Exhibit F to this Sublease, are granted and reserved pursuant to the following covenants and conditions:

(i) The sideyard easements shall run in favor of the Dominant Tenement on, over, across and through the Servient Tenement for the purpose of permitting ingress, egress, access, use and enjoyment of the sideyard easements as additional yard area and to accommodate the installation, maintenance, repair, use and enjoyment of a stairway which shall permit the home owner of the Dominant Tenement to gain access to the rear yard of the Dominant Tenement;

(ii) The sideyard easements shall run over the portion of the Servient Tenement indicated on Exhibit F to the Sublease extending along and from the common side Lot lines separating the Dominant Tenement from the Servient Tenement for purposes of ingress, egress, landscaping and yard or garden area purposes, and for the purpose of accommodating encroachment of overhanging eaves and other items as initially constructed on the Servient Tenement and drainage over the sideyard easements in accordance with the originally established drainage pattern for the Dominant Tenement and Servient Tenement, respectively. Each sideyard easement shall be used and enjoyed subject to the following terms and conditions.

[A] The sublessee of the Dominant Tenement shall be responsible for the maintenance, repair and replacement of the stairway which provides access to the rear

yard area of the Dominant Tenement. In addition, the sublessee of the Dominant Tenement shall be responsible for planting and maintaining all vegetation, shrubbery and other landscape improvements within the sideyard easements and maintain all hardscape and landscape improvements within the sideyard easements in good, clean, safe and functional condition at all times. No modifications to any of the improvements located within the sideyard easements shall be made until first approved by the HRB. No storage of any kind shall be permitted in the sideyard easements, nor shall any object or device of any kind be affixed to the structural wall of the housing unit on the Servient Tenement which adjoins and abuts the sideyard easements.

[B] The sublessee of the Servient Tenement will have the right, at reasonable times, upon reasonable notice and in a reasonable manner, to enter upon the sideyard easements for the purposes of maintaining, repairing and restoring the structural wall of the housing unit located on the Servient Tenement, the gutter and downspouts attached to such housing unit and any fence or wall owned by the sublessee of the Dominant Tenement which adjoins or abuts the sideyard easements.

[C] The sublessee of the Servient Tenement shall have the right of drainage over, across and upon the sideyard easements for water draining from any improvement situated upon the Servient Tenement, provided that such water drainage is in accordance with established drainage patterns and the right to maintain and use any appurtenances thereto and portions of any improvement upon the Servient Tenement as originally constructed, or as constructed pursuant to this Sublease.

[D] In exercising the right of entry upon the sideyard easements as provided for above, the Sublessee of the Servient Tenement agrees to utilize reasonable care not to damage any landscaping or other improvements existing within the sideyard easements; provided, however, that the sublessee of the Servient Tenement shall not be responsible for damage to landscaping or other improvements to the extent that such damage cannot be reasonably avoided in connection with such entry upon the sideyard easements for authorized purposes.

[E] No planting or other material or structures, including patios, shall be constructed, altered, placed or permitted to remain within the sideyard easements if such improvements alter the originally established drainage patterns upon the Servient Tenement as originally established, or which may damage or alter the drainage pipes, inlets or outlets or otherwise interfere or retard the flow of water through the established drainage system.

[F] ICHA reserves the right but not the obligation to make periodic inspections of all drainage facilities within University Hills. In the event that the inspection discloses the need for corrective work to be performed on improvements within the drainage facilities, ICHA shall notify the Owner of each affected Lot of the need to repair and replace the damaged drainage facilities.

[G] In the event of any dispute arising concerning the rights and obligations created by this subsection (g) of Section 4.03, the sublessee of Servient Tenement and the sublessee of the Dominant Tenement shall submit such dispute to ICHA for resolution, and the decision of ICHA shall be binding upon the sublessees.

(h) In addition to the easements specifically set forth in this Sublease, the Home Owner shall also be entitled to the benefits of any other easement affecting the Property as may be set forth in the Record of Survey Map covering the Property filed in the land records of Orange County, California.

(i) The Home Owner shall not enter into any contract or agreement with any entity with respect to any easement without the prior consent of ICHA.

Section 4.04. Assignments and Obligations Respecting Community Space.

(a) ICHA has reserved the right under the Lease to assign its interest in all or part of the Community Space and to convey the improvements on all or part of the Community Space either (i) to a nonprofit corporation or unincorporated association approved by The Regents for the purposes of assuring the maintenance and management of such Community Space for the benefit of the Home Owner, other sublessees of leasehold parcels, and other designated members of the University community or (ii) to The Regents, thereby terminating the Lease with respect to such Community Space.

(b) ICHA or its assignees described in subsection (a) of this Section 4.04 shall have the right and power to do the following:

(i) Establish reasonable rules and regulations for the use of any portion of the Community Space, including the right and power to impose reasonable user-fees;

(ii) Impose assessments on the Home Owner for reasonably necessary expenses associated with the taxes, operation, maintenance, and repair of the Community Space, provided that the Home Owner shall be given reasonable notice of such assessments;

(iii) Borrow funds for improvement of the Community Space;

(iv) Levy special assessments required for capital expenditures in connection with the Community Space, provided that, unless approved by a majority of all Persons subject to such assessments, such special assessments shall not cumulatively in a given year exceed twenty-five percent (25%) of the established regular assessment for the Community Space; and

(v) Cause the Property to be included in a special assessment district for the purpose of constructing facilities for drainage and flood control on the real property covered by the Lease and on adjacent areas.

(c) Each assessment described in this Section 4.04, together with any late charge, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the Home Owner at the time such assessment becomes due and payable. The personal obligation for delinquent assessments shall not pass to Successor Home Owners unless expressly assumed by them. The Home Owner may not exempt himself from payment of assessments by waiver of the use or enjoyment of all or any portion of the Community Space or the Property. The Regents, ICHA, or the nonprofit corporation or unincorporated association, as the case may be, may bring an action at law against the Home Owner personally obligated to pay such assessments and shall have a lien against the Property and improvements on the Property for so long as the Home Owner retains an interest in them for the amount of delinquent assessments, interest, costs, and actual attorneys' fees resulting from any such action.

(d) Provided the Home Owner is not in default of his obligations under this Sublease, the Home Owner shall have the right to the use and enjoyment of the Community Space.

Section 4.05. Assignment and Obligations Respecting ICHA's Maintenance Easement for Townhome Units.

(a) ICHA reserves the right to assign its exclusive repair and maintenance easements affecting any Townhome Unit, as described in Section 4.03 of this Sublease, to a nonprofit corporation or unincorporated association established or selected by ICHA for the purpose of assuring the proper repair and maintenance of the exterior walls and surfaces and roof areas of such Townhome Unit or of landscaping installed by ICHA outside the privacy walls of such Townhome Unit for the benefit of the Home Owner and the owners of other adjoining or related housing units.

(b) ICHA or its assignee described in subsection (a) of this Section 4.05 shall have the right and power to do the following:

(i) Impose assessments on the Home Owner for reasonably necessary expenses associated with the repair and maintenance of all areas covered by the easements;

(ii) Borrow funds for the repair and maintenance of all areas covered by the easements; and

(iii) Levy special assessments required for unusual repairs or unexpected maintenance work on all areas covered by the easements.

(c) Each assessment described in this Section 4.05, together with any late charge, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the Home Owner at the time such assessment becomes due and payable. The personal obligation for delinquent assessments shall not pass to Successor Home

Owners unless expressly assumed by them. The Regents, ICHA, or the nonprofit corporation or unincorporated association, as the case may be, may bring an action at law against the Home Owner personally obligated to pay such assessments and shall have a lien against the Property and improvements on the Property for so long as the Home Owner retains an interest in them for the amount of delinquent assessments, interest, costs, and actual attorneys' fees resulting from any such action.

Section 4.06. Estoppel Certificates. At ICHA's request, the Home Owner will 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 has been paid; (iii) that there are no existing offsets or defenses against the enforcement of any term of this Sublease on the part of the Home Owner (or, if so, specifying the same); and (iv) that no notice has been given to the Home Owner of any default which has not been cured. If the Home Owner fails to execute and return to ICHA such certificate within thirty (30) days of its receipt, the certificate, in the form prepared by ICHA, shall be deemed correct.

Section 4.07. 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.

Section 4.08. Compliance with the Regulations. The Home Owner shall comply with the requirements respecting maintenance and use of the Property set forth in the Regulations, and failure to comply with these requirements shall constitute a breach of this Sublease and give rise to a cause of action by ICHA for the recovery of damages or for injunctive relief, or both.

ARTICLE V - NONSUBORDINATION AND PERMITTED ENCUMBRANCES BY THE HOME OWNER

Section 5.01. Nonsubordination of Lease and Sublease. The Lease and this Sublease shall be prior liens against the Property in respect to any loan, mortgage, deed of trust, other lease, lien, or encumbrance that may hereafter be placed on the Property. The Home Owner agrees, without any cost to The Regents or ICHA, to execute any instrument which is necessary or is reasonably requested by The Regents or ICHA to further effect the nonsubordination of the Lease and this Sublease.

Section 5.02. Permitted Encumbrances by the Home Owner.

(a) The Home Owner shall have the right, without obtaining the consent of either ICHA or The Regents, to assign all or part of the Home Owner's interest under this

Sublease as security to any Lender pursuant to a deed of trust or other appropriate security instrument.

In such event, ICHA agrees to execute all necessary papers reasonably required by such Lender, provided that ICHA 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 Regents' ownership interest in the Property or upon ICHA's leasehold interest. However, notwithstanding the foregoing, a Home Owner shall not have the right to obtain financing that in the aggregate exceeds the Maximum Resale Price as defined in Section 3.08 herein and any regulations promulgated by ICHA pursuant to subsection (c) of Section 3.08, it being understood that the occurrence of any such financing in excess of the calculated Maximum Resale Price shall be deemed to place the Home Owner in default under the terms of his/her Ground Sublease to be treated as an irrevocable offer to the University to require the assignment of a Home Owner's interest in the Property and to purchase the improvements thereon at the then calculated Maximum Resale Price.

(b) Concurrently with the execution of any deed of trust described in subsection (a) of this Section 5.02, the Home Owner shall furnish to ICHA the name and address of the holder of the deed of trust. ICHA shall thereafter mail to such Lender a duplicate copy of any notices which ICHA may give to the Home Owner.

(c) Upon the recording of any deed of trust described in subsection (a) of this Section 5.02, the Home Owner shall, at the Home Owner's expense, record in the office of the Orange County Recorder a written request executed and acknowledged by ICHA for a copy of all notices of default and all notices of sale under such deed of trust as provided by the laws of California. Inclusion in the body of the recorded deed of trust itself of a requirement for notices to be sent to ICHA shall constitute compliance with this provision. Further, any deed of trust or similar security instrument shall contain the written agreement of the Lender that The Regents shall be notified by the Lender within thirty (30) days of any default by the Home Owner under the instrument and shall be given the opportunity to correct the default and assume the loan prior to the initiation of any foreclosure action.

(d) No deed of trust or other document may be recorded by the Home Owner or any Lender with respect to the Property prior to the recordation of the Lease or a memorandum describing the Lease and prior to the recordation of this Sublease or a memorandum describing this Sublease.

(e) Any deed of trust or similar security instrument in connection with improvements constructed or to be constructed on the Property shall provide that, prior to the institution of any proceeding to foreclose any such instrument or negotiations to accept an assignment in lieu of the foreclosure of any such instrument, the holder or beneficiary of such instrument shall notify The Regents and ICHA to that effect. Further, any such deed of trust or similar security instrument shall provide that The Regents shall have the right (but not the obligation) within sixty (60) days after the giving of such notice

to purchase the instrument and the indebtedness which it secures at a purchase price equal to the full amount then owing under said instrument, including the Lender's Charges as defined below in paragraph (i) of subsection (f) of this Section 5.02.

(f) Any Lender under a deed of trust described in subsection (a) of this Section 5.02 that acquires an interest under this Sublease by foreclosure or deed-in-lieu of foreclosure may assign or transfer the same (or any interest under any new lease obtained pursuant to subsection (a) of Section 3.04 or subsection (c) of Section 6.09 of this Sublease) only in accordance with the following priority system:

(i) For a period of at least fifteen (15) days following notification by the Lender to The Regents and ICHA of the Lender's intent to assign its interest in the property and sell the improvements on the Property, the University shall have the option to accept such assignment and purchase such improvements at a price equal to the "Maximum Lender Recovery" which is defined as the lesser of:

(1) the applicable Maximum Resale Price as determined pursuant to Section 3.08 above as of the date the Lender's trust deed was recorded (provided that such Maximum Resale Price shall be deemed to include the value of subsequent Qualified Improvements in Section 3.08(b)(iii) to the extent that proceeds of the loan secured by such trust deed were utilized to construct or install such Qualified Improvements), plus the Lender's Charges (as defined below), or

(2) the full amount then owing under the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including the Lender's Charges. "The Lender's Charges" are interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage up to the date of sale except for the transfer, real property taxes that have been paid by the Lender or have accrued on the Property and the improvements on the Property; the reasonable fees of the attorneys for the Lender, statutory costs and allowances permitted in connection with such foreclosure or other proceeding, and any other reasonable holding costs incurred by the Lender as a result of the foreclosure or other proceeding, or the acceptance of a deed-in-lieu of foreclosure.

Such option of the University shall be fully and freely assignable to such persons and upon such terms and conditions as the University in its sole and absolute discretion may determine. If the University or its assignee notifies the Lender within the fifteen (15) day period that the option of the University will be exercised, the assignment and sale transaction between the University or its assignee and the Lender shall be closed within sixty (60) days after the giving of such notice.

(ii) Upon expiration of the fifteen (15) day period described in paragraph (i) above (or sooner if the University notifies the Lender that the University declines to exercise or assign its option), the Lender's interest in the Property and the

improvements on the Property must, for a period of at least fifteen (15) days, be offered for assignment and sale to Designated University-Associated Persons, to members of the Academic Senate, to University Senior Managers, and to Designated Current Owners.

(iii) Upon expiration of the fifteen (15) day period described in paragraph (ii) above, the Lender's interest in the Property and the improvements on the Property must, for a period of at least fifteen (15) days, be offered for assignment and sale to University-Associated Persons who are members of the nonfaculty academic staff of the University and to University Managers and Senior Professionals, as well as to the persons described in paragraph (ii) above.

(iv) Upon the expiration of the fifteen (15) day period described in paragraph (iii) above, the Lender's interest in the Property and the improvements on the Property must, for a period of at least fifteen (15) days, be offered for assignment and sale to University-Associated Persons who are current nonacademic staff of the University, as well as to the persons described in paragraphs (ii) and (iii) above.

(v) Upon the expiration of the fifteen (15) day period described in paragraph (iv) above, the Lender's interest in the Property and the improvements on the Property may be offered for assignment and sale to the general public subject to the Lender's commitment to give priority to University Attendees in selecting a Person to whom it will assign and sell said interest.

Unless otherwise specified by ICHA, the Lender shall be considered to have fulfilled the offering requirements of clauses (ii), (iii), and (iv) above by notification of ICHA of an intent to assign and sell under each such clause with the terms of such assignment and sale. Any assignment or transfer by any such Lender that does not comply with the requirements of this subsection (f) and subsection (g) of this Section 5.02 shall be void and of no force or effect.

(g) The provisions of subsections (c) and (d) of Section 3.05 of this Sublease shall apply to the offering process described in Subsection (f) of this Section 5.02 to the same extent as if subsection (f) were specifically mentioned in those subsections.

(h) Regardless of any other provision of this Sublease, the maximum resale price of the Property if acquired by a Lender as described in subsection (f) of this Section 5.02 shall be the Maximum Lender Recovery amount defined in subsection (i) thereof.

(i) In the event of a transfer described in subsection (f) of this Section 5.02, the right of ICHA, for the benefit of The Regents, to share in the appreciation in the value of the improvements on the Property shall be limited by the prior right of the Lender to recover the monies enumerated in subsection (h) of this Section 5.02. Thereafter, ICHA shall be entitled to its share of the remaining monies. The Lender and any Successor Home Owner shall be required to perform the obligations of a Home Owner under this

Sublease for as long as such assignee or transferee holds a leasehold interest in the Property.

(j) The written consent of The Regents and ICHA shall not be required to any assignment or other transfer of the Home Owner's interest in this Sublease at a foreclosure sale under any deed of trust described in subsection (a) of this Section 5.02, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

(k) The notification provisions of Section 3.11 of this Sublease shall apply to any assignment and sale transaction under this Section 5.02, except insofar as such application may be impractical in the case of a foreclosure sale under any deed of trust described in subsection (a) of this Section 5.02, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

(l) Except as provided in Sections 6.09 and 7.11 of this Sublease, ICHA and the Home Owner agree that there shall be no modification, mutual termination, or surrender of this Sublease by ICHA and the Home Owner without the prior written consent of each Lender that is a beneficiary of a deed of trust described in subsection (a) of this Section 5.02 and whose interest could be affected by such action.

ARTICLE VI - DEFAULT, TERMINATION, AND CONDEMNATION

Section 6.01. Default by the Home Owner.

(a) Subject to the provisions of subsection (b) of this Section 6.01, if the Home Owner shall fail to remedy any default in the payment of rental 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 Home Owner within sixty (60) days after notice of such default, or such additional time as is reasonably required to cure such default, ICHA shall have the right to terminate this Sublease and the Home Owner's right to possession of the Property by giving notice of such termination to the Home Owner and any Lender under a deed of trust described in Section 5.02 of this Sublease.

(b) ICHA shall not take any action to terminate this Sublease because of any default or breach on the part of the Home Owner if any Lender under a deed of trust described in Section 5.02 of this Sublease:

(i) within forty-five (45) days after the giving of notice to the Lender by ICHA of ICHA'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

(ii) shall diligently take action to obtain possession of the Property (including possession by receiver) and to cure such default or breach in the case of a default or breach which cannot be cured unless and until the Lender has obtained possession; or

(iii) If such default or breach is not curable as provided under clause (i) or (ii) of this subsection, shall institute and complete judicial or nonjudicial foreclosure proceedings or otherwise acquire the Home Owner'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 the Home Owner until such time as the Home Owner's interest shall be sold upon foreclosure pursuant to the deed of trust or shall be released or reconveyed thereunder, provided that a Lender shall not be required to continue such action for possession or such foreclosure proceedings if such default or breach shall be cured by the Home Owner, and provided further that, if such Lender shall fail or refuse to comply with the conditions of this subsection, ICHA shall be released from the covenant of forbearance set forth in this subsection.

Section 6.02. Remedies of ICHA.

(a) If ICHA terminates this Sublease in accordance with the provisions of Section 6.01, ICHA may recover from the Home Owner:

(i) unpaid rent earned at the time of termination, which termination shall be treated as if an assignment of the Property and a sale of the improvements on the Property had occurred;

(ii) all other amounts then owed to ICHA; and

(iii) any other amount necessary to compensate ICHA for all the detriment proximately caused by the Home Owner's failure to perform his obligations under this Sublease.

(b) Efforts by ICHA to mitigate any damages caused by the Home Owner's breach of this Sublease shall not be treated as a waiver of ICHA's right to recover damages under this Section 6.02. Nothing in this Section 6.02 shall affect the right of ICHA to be 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 6.02 more than four (4) years after any breach of the Sublease by the Home Owner that is known to ICHA, or more than four (4) years after the termination of the Home Owner's right to possession of the Leasehold, whichever is earlier.

(c) Rent not paid when due shall bear interest at the Sublease Interest Rate from the due date until received by ICHA.

Section 6.03. Effects of Waiver by The Regents or ICHA. No waiver by The Regents or ICHA at any time of any provision of this 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 by this Sublease of the Home Owner. No option, right, power, remedy, or privilege of The Regents or ICHA 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 The Regents or ICHA 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 The Regents or ICHA shall not impair the right to use any other.

Section 6.04. Attorneys' Fees. In the event that either ICHA or the Home Owner brings suit against the other to enforce rights under this Sublease, the prevailing party shall be entitled to recover from the other reasonable attorneys' fees to be fixed by the court.

Section 6.05. Surrender of Property. Upon the expiration of the term of this Sublease (as such term may be extended in accordance with the provisions of this Sublease) or upon an earlier termination of this Sublease, the Home Owner shall quit and surrender the Property, including any improvements on the Property, to ICHA or, as appropriate, to The Regents 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 ICHA. At the end of the term of this Sublease or upon its earlier termination, the title to and ownership of the improvements on the Property shall automatically rest with ICHA or, as appropriate, The Regents, without the execution of any further instrument.

Section 6.06. Home Owner's Right To Remove Personal Property. At the expiration of the term of this Sublease or its earlier termination, the Home Owner shall have the right to remove any and all of the Home Owner's personal property from the Property, provided that the Home Owner shall be responsible for any resultant damage to the Property or the improvements on the Property. Any personal property which is not removed within sixty (60) days of the expiration date of this Sublease or its earlier termination, shall become the property of ICHA or, as appropriate, The Regents.

Section 6.07. Failure of Home Owner To Perform Required Acts. Subject to the provisions of subsection (b) of Section 2.05 of this Sublease, if at any time during the term of this Sublease the Home Owner fails or refuses to perform any actions required of the Home Owner, ICHA shall have the right but not the obligation to perform the same, but at the cost of and for the account of the Home Owner, provided that ICHA shall in no case take such action sooner than thirty (30) days after giving the Home Owner written notice of such failure or refusal and allowing such period within which the Home Owner may commence a bona fide effort to cure the same. The amount of any money expended by ICHA pursuant to this Section 6.07, together with interest at the Sublease Interest Rate, shall be repaid to ICHA by the Home Owner upon demand. Nothing contained in this Section 6.07 shall diminish the rights of ICHA with regard to defaults under Section 6.01 or with regard to remedies under Section 6.02 of this Sublease.

Section 6.08. Condemnation.

(a) If, during the term of this Sublease, the entire Property shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Property shall be taken but it shall be determined by the Home Owner that the improvements on the Property cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, this Sublease may, at the option of the Home Owner, be terminated by the Home Owner as of the date of such taking, and the rights of The Regents, ICHA, and the Home Owner in and to the award upon any such taking shall be determined in accordance with subsection (d) of this Section 6.08.

(b) If less than the entire Property shall be taken as a result of the exercise of the right of eminent domain and it shall be determined by the Home Owner that the improvements on the Property 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. The rights of The Regents, ICHA, and the Home Owner in and to the award upon any such taking shall be determined in accordance with subsection (d) of this Section 6.08. The Home Owner shall, with due diligence, restore, repair, and replace that portion of the improvements not so taken to a condition suitable for residential purposes, having due regard for the design, construction, and character of the improvements existing before such taking.

(c) If all or any portion of the Property or the improvements on the Property 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 the Home Owner shall continue to perform and observe all of his obligations as though such taking had not occurred except to the extent that the Home Owner may be prevented from so doing by reason of such taking. The Home Owner shall in no event be excused from the payment of rent and all other sums and charges required to be paid under this Sublease.

(d) If all or a portion of the Property 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 follow:

(i) In the event of any taking that results in the termination of this Sublease in accordance with the provisions of this Section 6.08, then The Regents, ICHA, and, subject to the rights of any Lender, the Home Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests in the Property and improvements constructed on the Property.

(ii) In the event of any taking of a portion of the Property or of the improvements on the Property that does not result in the termination of this Sublease in accordance with the provisions of this Section 6.08, then The Regents, ICHA, and, subject to the rights of any Lender, the Home Owner shall be entitled to prosecute

claims in such condemnation proceedings for the value of their respective interests affected by such taking.

(e) As used in this Section 6.08, 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. The taking shall, at the election of the Home Owner, be considered to take place as of the earlier of (i) the date actual physical possession is taken by the condemnor; or (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.

(f) 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 the Home Owner as set forth in this Section 6.08.

Section 6.09. Default by ICHA.

(a) The Regents have agreed not to take any action to terminate this Sublease because of any default or breach on the part of ICHA.

(b) In the event The Regents terminate the Lease because of a default by ICHA, The Regents have agreed that this Sublease shall continue in full force and effect to the extent that the Home Owner is not then in default under this Sublease and agrees to fulfill the terms of this Sublease and to recognize The Regents as the sublessor under this Sublease. The Regents have agreed, if requested by the Home Owner, to execute a nondisturbance and attornment agreement.

(c) If the Lease shall terminate prior to the expiration of its term for any reason, The Regents have agreed that the Home Owner, as an alternative to the continuation of this Sublease as provided in subsection (b) of this Section 6.09, shall have the right, for a period of ninety (90) days subsequent to the termination, to receive from The Regents a new lease of the Property the term of which lease shall not extend beyond the term of this Sublease. The election to obtain a new lease shall be made upon the following terms and conditions:

(i) The new lease shall be for a term having the same fixed expiration date as provided in this Sublease. The rent for the new lease shall be at the same rent as would have been applicable during such term under the provisions of this Sublease and all of the provisions of such new lease shall be the same as the provisions of this Sublease.

(ii) If the Home Owner shall elect to demand a new lease within the ninety (90) day period, the Home Owner shall give written notice to The Regents of that election. The Regents have agreed, upon receipt of such notice, promptly to execute such new lease with the Home Owner.

(iii) The Home Owner, at his cost and expense, shall take such steps as may, in the judgment of The Regents, be necessary to assure that any new lease made pursuant to this subsection shall be prior to any mortgage, deed of trust, or other lien, charge, or encumbrance on the fee interest of The Regents in the Property, except as may be expressly agreed to by The Regents.

(d) 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 the Home Owner as set forth in this Section 6.09.

ARTICLE VII - MISCELLANEOUS PROVISIONS

Section 7.01. 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, labor troubles, inability to secure materials, or other cause, 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 7.01 shall excuse the Home Owner from the prompt payment of any rental or other charge required of the Home Owner. 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.

Section 7.02. 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.

Section 7.03. 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 7.03 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.

Section 7.04. Notices.

(a) All notices required to be given under this Sublease shall be in writing.

(b) All notices required to be given under this Sublease 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 with postage prepaid in certified or registered form, return receipt requested.

(c) All notices to The Regents or to the University shall be delivered or mailed to The Regents of the University of California, Real Estate Services Group, Office of the President, 1111 Franklin Street, 6th Floor, Oakland, California 94607-5200, with a copy to the Chancellor, University of California, Irvine, Irvine, California 92697; or to such other person or place as The Regents may from time to time direct.

(d) All notices to ICHA shall be delivered or mailed to Irvine Campus Housing Authority, c/o President, Irvine Campus Housing Authority, 22 Los Trancos Drive, Irvine, California 92617; or to such other person or place as ICHA may from time to time direct.

(e) All notices to the Home Owner shall be delivered or mailed to such address as the Home Owner has designated in Exhibit D of this Sublease or to such other address as the Home Owner shall designate from time to time to The Regents and ICHA.

(f) In the event that ICHA has been notified of the interest of a Lender pursuant to subsection (b) of Section 5.02 of this Sublease, then any notice sent to The Regents, ICHA, or the Home Owner 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 the Home Owner or such Lender.

Section 7.05. Memorandum or Assignment of Sublease. Concurrently with the execution of this Sublease, the parties shall execute and acknowledge a Memorandum or an Assignment of Sublease of Residential Lot, Grant Deed to Improvements on Subleased Premises, and Deed Granting and Reserving Easements Appurtenant. The Memorandum of Sublease shall contain a description of the Property, the names of ICHA as Sublessor and the Home Owner as Sublessee(s), the term of this Sublease and a grant or reservation of various easements. The Memorandum or Assignment of Sublease shall be recorded in the Official Records of Orange County, California.

Section 7.06. Nonmerger of Fee and Leasehold Estates. If under any circumstances both The Regents' fee interest in the Property and any subordinate leasehold interest in the Property become vested in the same owner or both ICHA's leasehold interest in the Property and any subordinate subleasehold interest in the Property become vested in the same owner, neither the Lease nor this Sublease shall be extinguished by application of the doctrine of merger except at the express election of such owner.

Section 7.07. Captions, Gender, and Number.

(a) 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.

(b) 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 the Home Owner consists of more than one person, the covenants,

obligations, and liabilities of the Home Owner shall be the joint and several covenants, obligations, and liabilities of such persons.

Section 7.08. 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 ICHA or the Home Owner.

Section 7.09. The Regents as Third-Party Beneficiaries. The Regents are expressly made third-party beneficiaries of this Sublease and are entitled to instigate or intervene in any action or proceeding to enforce the provisions of this Sublease.

Section 7.10. 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 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 unenforceably 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 which will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void, or unenforceable.

Section 7.11. Entire Agreement; Amendments.

(a) This Sublease contains all of the agreements between ICHA and the Home Owner 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 provided in subsection (b) of this Section 7.11 and as provided in Section 5.06 and Article VII of the Regulations, no provision of this Sublease shall be altered or added to, except in writing, signed by ICHA and the Home Owner and with the written consent of any Lender of the Home Owner. 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.

(b) ICHA reserves and maintains the right to alter the provisions of the Lease without the approval of the Home Owner or the written consent of any Lender of the Home Owner. Any such alteration shall be binding upon the Home Owner and shall be deemed incorporated into this Sublease to the extent required by the alteration in the Lease, except that any such alteration may not, without the prior written approval of not less than sixty-six and two-thirds percent (66-2/3%) of all Persons who are then sublessees under the Lease, (i) reduce the term of the Lease, (ii) increase the financial obligations of a sublessee, or (iii) reduce the above-specified percentage of sublessees needed to approve any such alteration.

Section 7.12. Assignment and Delegation by ICHA. Notwithstanding any other provision of this Sublease, ICHA reserves the right to assign and delegate its rights and duties under this Sublease.

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

IRVINE CAMPUS HOUSING
AUTHORITY

ATTEST:

BY _____

WITNESS:

HOME OWNER

EXHIBIT A

DESCRIPTION OF PROPERTY

LOT _____ AS SHOWN ON RECORD OF SURVEY MAP NO. _____,
FILED IN BOOK _____, PAGES _____ TO _____ INCLUSIVE OF RECORD
OF SURVEYS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE
COUNTY, CALIFORNIA.

EXHIBIT B

RENTAL FOR PROPERTY

EXHIBIT C**STATE OF TITLE TO PROPERTY**

EXCEPTIONS TO TITLE ARE LISTED ON THE PRELIMINARY TITLE REPORT ISSUED PRIOR TO THE RECORDATION OF THE "MEMORANDUM OF GROUND SUBLEASE OF RESIDENTIAL LOT, GRANT DEED TO IMPROVEMENTS ON SUBLEASED PREMISES AND DEED GRANTING AND RESERVING EASEMENTS APPURTENANT" ("THE MEMORANDUM OF GROUND SUBLEASE") OR THE "ASSIGNMENT OF SUBLEASE" AND ON THE POLICY OF TITLE INSURANCE ISSUED SUBSEQUENT TO THE RECORDATION OF THE MEMORANDUM OF GROUND SUBLEASE OR THE ASSIGNMENT OF SUBLEASE.

EXHIBIT D

ADDRESS OF HOME OWNER FOR DELIVERY OF NOTICES

Name(s) of Home Owner(s): _____

Address of Home Owner(s): _____

Telephone Number(s) of Home Owner(s): Home () _____

Office () _____

E-Mail _____

Employee # _____

EXHIBIT E

UNIVERSITY HILLS PROPERTY AND
MAINTENANCE REGULATIONS.

EXHIBIT F

**DESCRIPTION OF SIDEYARD EASEMENTS FOR 150 SERIES PATIO
HOMES AND 750 SERIES SINGLE FAMILY HOMES**

**NOT APPLICABLE FOR 100, 200, 300, 600, 700, 800, 850, 920, 930
and 940 SERIES HOMES.**

EXHIBIT G

**DESCRIPTION OF PAIRED HOME LOTS AND EASEMENTS FOR
600 AND 700 SERIES HOMES**

**NOT APPLICABLE FOR 100, 200, 300, 150, 750, 800, 850, 920, 930
and 940 SERIES HOMES.**