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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF UTAH, CENTRAL DIVISION

In re:

The Falls at Elk Grove, LLC,

Debtor.

Bankruptcy No. 18-25208-RKM

Chapter 11

**MOTION FOR RELIEF FROM STAY WITH IMPOSITION OF BAR ON
REFILING OR, IN THE ALTERNATIVE, MOTION TO DISMISS
CHAPTER 11 CASE WITH PREJUDICE, AND MEMORANDUM IN SUPPORT**

The Falls at Elk Grove, LLC (“Debtor”) acquired title to its only asset from an affiliate and sought chapter 11 protection that same day in Sacramento, California to prevent an imminent foreclosure sale. That initial chapter 11 case filed in California was dismissed on the motion of secured creditor iBorrow, L.P. (“iBorrow”). The Debtor then proceeded to file this chapter 11 case only a few business days later. This chapter 11 case serves no legitimate purpose other than to further delay and frustrate iBorrow’s efforts to recover and protect its collateral.

Secured creditor iBorrow, through undersigned counsel, moves the Court for entry of an order (i) pursuant to Section 362 of the Bankruptcy Code and Rules 4001 and 9014 of the Federal

Rules of Bankruptcy Procedure, granting iBorrow relief from the automatic stay to resume the recovery and foreclosure of the Property (as defined below), to exercise rights and remedies under the Loan Documents (as defined below) and applicable state law, based upon findings that Debtor and the estate lack equity in the Property and that the Property is not necessary to an effective reorganization or, alternatively, that cause exists for relief from the automatic stay, and for imposition of a bar on re-filing and for waiver of the 14-day stay period under Rule 4001(a)(3) of the Federal Rules of Bankruptcy Procedure, or, in the alternative, (ii) dismissing the Debtor's chapter 11 case with prejudice.

BACKGROUND

A. The Loan Transaction

1. In July 2014, EFalls Properties Elk Grove CA LLC ("EFalls") and The Falls at St. George, LLC ("Falls St. George" and together with EFalls, the "Borrower") executed, among other documents, (i) a Promissory Note Secured by Deed of Trust in favor of Eagle Group Finance, L.P., a California limited partnership ("Eagle Finance"), in the principal amount of \$6,175,000.00 (the "Note"); and (ii) a Construction Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing against the real property located at 8280 / 8290 Elk Grove Blvd., Elk Grove, CA 95828 and associated personal property (the "Property") recorded in Sacramento County on July 7, 2014 (Book 2014, Page 714) (the "iBorrow DOT" and collectively with other related documents, the "Loan Documents"). The Note is attached to as Exhibit 1. The iBorrow DOT is attached as Exhibit 2.

2. Eagle Finance is now known as iBorrow, L.P. pursuant to the certificate filed with the California Secretary of State on January 25, 2016. Therefore, all further references herein and in the Loan Documents to Eagle Finance shall mean iBorrow.

3. Pursuant to the Loan Documents, the Borrower borrowed \$6.175 million from iBorrow with an original maturity date of July 3, 2016 related to the Property.

4. The Borrower's obligations under the Loan Documents are secured by (i) the iBorrow DOT against the Property, (ii) junior lien granted by EFalls Properties Fresno CA, LLC against certain real property parcels located in Fresno County, CA (identified as APN: 507-350-29 and APN: 507-350-26 and 507-350-27), and (iii) junior lien granted by The Falls at St. George, LLC against certain real property parcels located in Washington County, Utah (identified as tax parcel nos. SG-WPP-3 and SG-WPP-6), and are also guaranteed by Steven L. Down, pursuant to a Guaranty of Recourse Obligations (the "Down Guaranty").¹

5. The Note has matured.

6. The Borrower defaulted under the Loan Documents by, among other things, failing to make timely payments when due and by failing to pay its obligations under the Note at maturity.

B. The Foreclosure Process and California Chapter 11 Case

7. A Notice of Default relating to the Property was recorded in Sacramento County, California on February 2, 2018.

¹ Movant reserves all of its rights and claims against Mr. Down regarding his guaranty of the obligations under the Loan Documents and the Down Guaranty.

8. As of July 16, 2018, the total payoff amount due under the Loan Documents was not less than \$9,108,617.² Per diem interest of \$4,116.67 (approximately \$123,500 per month) continues to accrue. A copy of the itemized payoff is attached hereto as Exhibit 3.

9. A foreclosure sale was scheduled for May 31, 2018.

10. To stop the foreclosure sale, the Debtor sought chapter 11 protection in Sacramento, California on May 30, 2018 (chapter 11 case no. 18-23387-D-11) (the “California Chapter 11 Case”).

11. The Debtor acquired its interest in the Property, without iBorrow’s consent, on the petition date of the California Chapter 11 Case. A certified copy of the Grant Deed to the Debtor is attached as Exhibit 4.

12. This transfer of the Property was made by EFalls, an affiliate of the Debtor, in violation of the Loan Documents. *See* iBorrow DOT ¶ 13(a) (prohibiting transfer of any interest in the Property).

13. The Debtor’s Schedules filed in the California Chapter 11 Case state that the Debtor’s parent company—The Falls Event Center—holds an unexpired lease for the Property. *See* Schedule G (Schedules attached as Exhibit 5). iBorrow did not consent to the Debtor’s assignment of the Borrower’s interest in the lease to the Debtor, which also constitutes a violation of the Loan Documents.

² The Debtor contended in the California Chapter 11 Case (defined below) to have acquired interests in the Property in 2016 in violation of the Loan Documents. Movant reserves the right to assert additional default interest and other charges in accordance with the Loan Documents relating to any such unauthorized transfer.

14. The Debtor's parent company—The Falls Event Center—is identified on the Debtor's Schedule D in the California Chapter 11 Case as holding a secured interest in the Property pursuant to a Deed of Trust in an unknown amount (the "Falls DOT"). *See* Schedule D (Schedules attached as Exhibit 5). iBorrow did not consent to the Falls DOT. This encumbrance constitutes a violation and breach of the iBorrow DOT, which prohibited encumbrance of the Property without iBorrow's consent. *See* iBorrow DOT ¶ 13(a) (prohibiting any encumbrance on the Property other than the liens or encumbrances benefiting iBorrow unless expressly permitted by the Loan Documents).

15. Other than iBorrow and the The Falls Event Center (the Debtor's parent company), the only creditor identified in the Debtor's Schedules filed in the California Chapter 11 Case is Sacramento County for unpaid real property taxes on the Property. *See* Schedules attached as Exhibit 5.

16. The Debtor's Schedule B filed in the California Chapter 11 Case states that the Debtor holds \$0.00 in cash, financial assets, accounts, or other personal property. *See* Schedule B (Schedules attached as Exhibit 5).

17. The California Chapter 11 Case was dismissed on July 11, 2018. A copy of the California Bankruptcy Court's minute entry regarding the dismissal order is attached hereto as Exhibit 6.

C. The Utah Chapter 11 Case

18. The Debtor filed a voluntary chapter 11 bankruptcy petition in Utah Bankruptcy Court on July 16, 2018 (the "Petition Date").

19. To date, no substantive filings have been made in this case.

20. The Falls Event Center, LLC (the Debtor's parent company) sought chapter 11 protection in Utah Bankruptcy Court on July 11, 2018 (Case No. 18-25208).³

D. Property Value

21. iBorrow obtained an appraisal of the Property dated July 27, 2018 (the "Appraisal"). A copy of the Appraisal is attached hereto as Exhibit 7.

22. The Appraisal reflects an "as is" market value of the Property as of July 18, 2018 of \$6,400,000.

23. The appraiser maintains that the highest and best use of the Property is not as an event center.

RELIEF REQUESTED

Pursuant to section 362 of the Bankruptcy Code and accompanying and applicable rules of the Federal Rules of Bankruptcy Procedure, iBorrow requests that the Court enter an order granting iBorrow relief from the automatic stay to exercise its rights and remedies under the Loan Documents and applicable state law to complete the foreclosure sale of the Property, finding that Debtor lacks equity in the Property and that the Property is not necessary to an effective reorganization or, alternatively, finding that cause exists for relief from the automatic stay and waiving the 14-day stay period under Rule 4001(a)(3) of the Federal Rules of Bankruptcy Procedure and imposing a bar on re-filing.

³ iBorrow intends to file a motion in the parent company seeking relief from the automatic stay. The parent company asserts a junior lien on the Property.

In the alternative, pursuant to sections 1112, 349, and 105 of the Bankruptcy Code and accompanying and applicable rules of the Federal Rules of Bankruptcy Procedure, iBorrow requests that the Court enter an order dismissing the Debtor's chapter 11 case with prejudice.

ARGUMENT AND AUTHORITIES

A. Relief from the Automatic Stay is Warranted.

iBorrow submits that it is entitled to relief from the automatic stay on one or more grounds under Section 362 of the Bankruptcy Code.

1. Requirements under Section 362(d)(4) for Relief from the Automatic Stay Are Satisfied. Section 362(d)(4) of the Bankruptcy Code provides in relevant part that “[o]n request of a party in interest and after notice and a hearing, the court shall grant relief from the stay ... with respect to a stay of an act against real property under subsection (a), by a creditor whose claim is secured by an interest in such real property, if the court finds that the filing of the petition was part of a scheme to delay, hinder, or defraud creditors that involved either—(A) transfer of all or part ownership of, or other interest in, such real property without the consent of the secured creditor or court approval; or (B) multiple bankruptcy filings affecting such real property.” Section 362(d)(4) further provides that “[i]f recorded in compliance with applicable State laws governing notices of interests or liens in real property, an order entered under paragraph (4) shall be binding in any other case under this title purporting to affect such real property filed not later than 2 years after the date of the entry of such order by the court[.]”

To obtain *in rem* relief under section 362(d)(4), “the court must find that (1) the debtor’s bankruptcy filing was part of a scheme; (2) the scheme was intended to delay, hinder, or defraud the creditor; and (3) the scheme involved either (a) the transfer of some interest in the real property

without obtaining approval from the court or the secured creditor; or (b) multiple bankruptcy filings affecting the real property.” *In re Tejal Inv., LLC*, No. 12-28606, 2012 WL 6186159, *5 (Bankr. D. Utah Dec. 12, 2012). *Tejal* noted the Ninth Circuit’s definition of “scheme” as “a plan or design or ‘artful plot.’” *Tejal* at *6 (noting that scheme can include filing a petition days before foreclosure sale).

Courts consider different factors to determine intent to delay, hinder, or defraud, including: (i) number of bankruptcy filings; (ii) their frequency; (iii) the time elapsed between filings; (iv) whether the filings were dismissed, and for what reasons; (v) whether the evidence suggests the debtor had a legitimate belief that it could reorganize in such cases; (vi) the strategic timing of the cases, especially in relation to creditor collection efforts such as foreclosure; and (vii) any changes in circumstances between the various cases. *See In re Khurana*, Case No. 15-20205, 2015 WL 4464508, at *9 (Bankr. D. Idaho July 21, 2015); *Tejal Inv.* at *7 (circumstances to consider include no change in amount of claims and business operations remain unchanged). Importantly, “under the express terms of Section 362(d)(4), the secured creditor need not show that it had some additional right to oppose transfer,” such as a violation of the loan documents or lack of a court order. *In re Dorsey*, 476 B.R. 261, 269 (Bankr. C.D. Ca. 2012). As for multiple filings affecting the real property under Section 362(d)(4)(B), one prior filing seems to be sufficient. *See Tejal Inv.* at *7 (noting that debtor had one prior filing); *In re JCP Properties, Ltd.*, 540 B.R. 596, 620 (Bankr. S.D. Tex. 2015) (granting relief from stay under 362(d)(4) when debtor used second filing to stall foreclosure efforts).

Here, iBorrow is unquestionably a secured creditor whose claim is secured by the iBorrow DOT on the Property. The Debtor acquired title to the Property on the same date the California

Chapter 11 Case was filed without iBorrow's consent. The only operative issue this Court needs to determine is whether that transfer by an affiliate of the Debtor was made as part of a scheme to delay, hinder, or defraud creditors. As demonstrated by the facts above, iBorrow submits that is exactly what the Debtor did in this case. iBorrow's foreclosure sale was scheduled for the next day after the petition date in the California Chapter 11 Case. The Debtor unquestionably acquired title and filed its first chapter 11 case on the eve of foreclosure to take advantage of the automatic stay as a delay tactic, preventing iBorrow (or an overbidder) from acquiring the Property, as iBorrow is entitled to do under applicable non-bankruptcy law. iBorrow only learned of the alleged transfer on the eve of the first bankruptcy filing from Debtor's bankruptcy counsel. The Debtor's Schedules in the California Chapter 11 Case show that the Debtor or its affiliate encumbered the Property with a junior deed of trust in favor of its parent company Falls EC in violation of the Loan Documents without iBorrow's knowledge or consent. iBorrow sought and obtained dismissal of the California Chapter 11 Case.

A few business days later, the Debtor filed chapter 11 bankruptcy again. The Debtor filed the California Chapter 11 Case—and given the lack of substantive filings to date, this case as well—with no employees, no money, and no strategy in place, aside from preventing iBorrow from continuing to exercise its rights as a secured creditor under applicable non-bankruptcy law, which proceedings were commenced prepetition. According to the California Chapter 11 Case Filings, the Debtor lacks the basic funds to preserve and protect the Property (including the payment of property taxes which are past due and continue to accrue interest and/or penalties). There is no reasonable prospect of the Debtor paying the interest which accrues at approximately

\$123,500 per month given that the Debtor has \$0.00 in funds, let alone any prospect of reorganization or adequate protection of iBorrow's interests.

To the extent the Debtor relies on its parent company—The Falls Event Center—that entity cannot be relied upon to reorganize the Debtor as the parent company appears to be operating at a loss and is the subject of an ongoing SEC investigation and complaint. The Debtor filed its bankruptcy case with no non-insider creditors other than iBorrow and the secured claim of Sacramento County for unpaid property taxes (in essence, a two-party dispute), to improperly frustrate iBorrow's exercise of its foreclosure rights and remedies and not to properly rehabilitate a debtor. Finally, not only does the Debtor lack the means and good faith necessary to a proper reorganization, the Debtor does not have any equity in the Property. As demonstrated by the appraisal, the fair market value of the Property is substantially less than the amount owed to iBorrow. Therefore, the Debtor does not have any interest at stake and the risks and harm attendant to further delay are all on iBorrow. The Debtor is merely using this case as a delay tactic to hinder, delay or defraud iBorrow from exercise of its remedies.

2. “Cause” Exists for Relief from the Automatic Stay under Section 362(d)(1). Section 362(d) of the Bankruptcy Code provides in relevant part: “On request of a party in interest and after notice and a hearing, the court shall grant relief from the stay provided under subsection (a) of this section, such as by terminating, annulling, modifying, or conditioning such stay—(1) for cause, including the lack of adequate protection of an interest in property of such party in interest.” 11 U.S.C. § 362(d)(1) (2013). Courts have routinely recognized that “cause” is not limited to lack of adequate protection. “Cause” includes instances where the debtor commenced the case in bad faith. *See, e.g., J E Livestock, Inc. v. Wells Fargo Bank (In re J E Livestock, Inc.)*, 375 B.R. 892,

897 (B.A.P. 10th Cir. 2007) (noting that “[a]mong the factors to be considered in determining whether the automatic stay should be modified for cause are the good or bad faith of the debtor and the injury to the movant if the stay is not modified”); *Vessa v. Community First Nat’l Bank of Vgillette (In re Vessa)*, Case No. WY-04-012, 2004 Bankr. LEXIS 1755, at *13 (B.A.P. 10th Cir. Nov. 18, 2004) (“‘Cause’ for modifying or terminating the automatic stay has, therefore, been found to exist when a case is filed in bad faith. Bad faith and, thus, ‘cause’ may exist when a debtor has acted improperly in some way toward the movant-creditor during the prepetition period and when a petition is filed to thwart foreclosure efforts.”). Cause may also exist where the creditor’s access to its collateral is delayed. Debtor received transfer of the Property and filed bankruptcy in California just before foreclosure of the Property was to be completed. As explained above, the Debtor filed this case with no non-insider creditors other than iBorrow and property taxes, no employees, no money, and no strategy in place, aside from preventing iBorrow from continuing to exercise its rights as a secured creditor under applicable non-bankruptcy law. The Debtor lacks the basic funds to preserve and protect the Property (including the payment of property taxes which are past due and continue to accrue interest and/or penalties). iBorrow submits that Debtor filed the California Chapter 11 Case and now this case, which was filed just a few business days after the California Chapter 11 Case was dismissed, solely to halt the foreclosure sale and delay iBorrow’s access to its collateral. Such bad faith on the part of Debtor can and should constitute cause for relief from the automatic stay as to the Property in favor of iBorrow.

3. Requirements of Section 362(d)(2) for Relief from the Automatic Stay are Satisfied.

Section 362(d)(2) of the Bankruptcy Code provides that a party in interest is entitled to relief from

the automatic stay if “the debtor does not have an equity in such property” and “such property is not necessary to an effective reorganization.” 11 U.S.C. § 362(d)(2) (2013). Under the first element, Debtor lacks equity in the Property. The “as is” market value of the Property (as of July 18, 2018) is \$6,400,000 million. The debt owing to iBorrow for which the Property is security is \$9,108,617 as of the Petition Date (July 16, 2018).

Under the second element, the Property is not necessary for an effective reorganization. Debtor was unable to cure the default on the loan and the Note has matured. The Debtor has not come forward with a funding source or arrangement to pay off iBorrow. The Debtor has no ability to reorganize and arguably nothing to reorganize. iBorrow submits that the requirements of Section 362(d)(2) have been met and that relief from the automatic stay as to the Property is warranted.

4. Waiver of 14-day Stay Period under Rule 4001(a)(3). Rule 4001(a)(3) of the Federal Rules of Bankruptcy Procedure provides: “An order granting a motion for relief from an automatic stay made in accordance with Rule 4001(a)(1) is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise.” Given Debtor’s delay tactics, iBorrow submits that further delaying its access to its collateral does not serve the purposes of Rule 4001(a)(3). iBorrow submits that immediate access to its collateral and waiver of the 14-day stay period is warranted in this instance.

B. Dismissal of This Chapter 11 Case as a Bad Faith Filing

Section 1112(b) of the Bankruptcy Code provides in relevant part that “on request of a party in interest, and after notice and a hearing, the court shall convert a case under this chapter to a case under chapter 7 or dismiss a case under this chapter, whichever is in the best interests of

creditors and the estate, for cause, unless the court determines that the appointment under section 1104(a) of a trustee or an examiner is in the best interests of creditors and the estate.”⁴ 11 U.S.C. § 1112(b) (2015). Section 1112(b)(4) includes a non-exhaustive list of bases constituting “cause” for dismissal. *See* 11 U.S.C. § 1112(b)(4) (2015). In addition to those express bases, the bankruptcy court may dismiss a chapter 11 case for lack of good faith. *See* 7 COLLIER ON BANKRUPTCY ¶ 1112.07, at 1112-48 (Resnick & Sommer eds., 16th ed. 2015). The bankruptcy court “may dismiss any case for lack of good faith in order to prevent abuse of the chapter 11 process or in response to misconduct that is incompatible with the functioning of the bankruptcy system.” 7 COLLIER ON BANKRUPTCY ¶ 1112.07[1], at 1112-48 (citing, *inter alia*, *Carolin Corp. v. Miller*, 886 F.2d 693, 702 (4th Cir. 1989)). The good faith standard considers the “subjective intentions” of the debtor and is most often based on “circumstantial evidence” inasmuch as the debtor is not usually apt to admit its own bad faith. *See* 7 COLLIER ON BANKRUPTCY ¶ 1112.07[1], at 1112-49; *see also Laguna Assocs. Ltd. P’ship v. Aetna Casualty & Sur. Co. (In re Laguna Assocs. Ltd. P’ship)*, 30 F.3d 734, 738 (6th Cir. 1994) (listing factors of bad faith chapter 11 filing).

In *Udall & Lawrence v. FDIC (In re Nursery Land Dev., Inc.)*, 91 F.3d 1414 (10th Cir. 1996), the appellate court upheld the bankruptcy court’s decision (and the Utah federal district court’s affirmance) to dismiss the single-asset real estate debtor’s bankruptcy filing as having been in bad faith and to award sanctions to the creditor in the amount of its attorney’s fees and

⁴ The Debtor has not yet filed Schedules and Statements; as such, it is not clear how many other legitimate creditors the Debtor has and what amounts, if any, they are owed. The filings made in the California Chapter 11 Case suggest that the Debtor has no non-insider creditors other than iBorrow and the California property tax authority. iBorrow seeks dismissal to recover its collateral, which is the only asset of the Debtor.

expenses. The FDIC held a judgment against a parcel of real property. On the eve of foreclosure, the debtor acquired the parcel by quitclaim deed for no consideration under a promissory note with unspecified terms. The debtor filed bankruptcy later that same day using a handwritten petition prepared by an attorney. The imposition of the automatic stay halted the foreclosure sale. *See In re Nursery Land Dev.*, 91 F.3d at 1415. The bankruptcy court found in relevant part:

From all of these facts the Court concludes this is a classic case of bad faith filing [of] a Chapter 11 petition.... I find that the petition was filed solely to frustrate the legitimate efforts of a legitimate creditor to enforce his rights, to stay the foreclosure sale by the FDIC. I find that there was no realistic possibility of an effective reorganization at the time of the filing.

In re Nursery Land Dev., 91 F.3d at 1415.

Concluding that “the specific purpose of the filing was to frustrate the FDIC’s efforts to foreclose on the property,” the bankruptcy court pointed to “numerous indicia that constitute classic badges of a bad faith bankruptcy filing”: the debtor (1) has only one asset; (2) has only one creditor; (3) acquired property which was posted for foreclosure and the prior owners had been unsuccessful in defending against the foreclosure; (4) was revitalized on the eve of foreclosure to acquire the insolvent property; (5) has no ongoing business or employees; (6) lacks a reasonable possibility of reorganization; and (7) the chapter 11 filing stopped the foreclosure. *See In re Nursery Land Dev.*, 91 F.3d at 1416. *See generally In re Platte River Bottom, LLC*, No. 13-13098, 2016 WL 241464, at *9 (Bankr. D. Colo. Jan. 19, 2016) (citing *Nursery Land Dev., Inc.* factors to consider in determining bad faith filing under section 1112(b) in single asset case); *In re H.T. Pueblo Properties, LLC*, No. 11-24718, 2011 WL 6962754, at *4 (Bankr. D. Colo. Dec. 30, 2011) (same). *Cf. In re George Love Farming, LC*, 366 B.R. 170, 178 (Bankr. Utah 2007) (Thurman, J.)

(in addition to considering *Nursery* factors, the court evaluated bad faith on totality of the circumstances to prevent a chapter 7 business debtor from converting to chapter 11).

The Debtor's case is akin to the *Nursery Land Development* case. Here, the Debtor received transfer of the Property on May 30, 2018 (the petition date of the California Chapter 11 Case), just one business day before the scheduled foreclosure sale of the Property. The sole purpose of the California Chapter 11 Case appears to have been to halt that foreclosure sale and delay iBorrow's access to its collateral. Just a few business days after dismissal of the California Chapter 11 Case, Debtor filed this case, patently with similar motives and tactics to halt the foreclosure sale and to delay iBorrow's access to its collateral. While a bankruptcy filing is not *per se* prohibited in such a situation, the Debtor's actions of failing to pay the Note, violating covenants and provisions of the Loan Documents several times, and repeatedly seeking extra time over the last several months to no avail, suggest that this chapter 11 filing does not carry a legitimate purpose. Debtor has no prospect or possibility of reorganizing, because there is nothing to reorganize, and, to date, Debtor has been unable to demonstrate a funding source or other means to effectuate a reorganization. Based on these facts and the binding precedent of *Nursery Land Development*, Debtor's chapter 11 filing was patently in bad faith. Under section 1112, dismissal of Debtor's case is warranted.

WHEREFORE, for the reasons set forth herein, iBorrow requests that the Court enter an order (i) granting iBorrow relief from the automatic stay to pursue its rights and remedies under the Loan Documents and applicable state law, and for waiver of the 14-day stay period, or, alternatively, (i) dismissing the Debtor's chapter 11 case with prejudice, and granting iBorrow such other and further relief as is just and equitable.

DATED this 2nd day of August, 2018.

KIRTON McCONKIE

By: /s/ Adelaide Maudsley

Ralph R. Mabey (#2036)

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Counsel for iBorrow, L.P.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing was served on this 2nd day of August, 2018, (i) by first class US Mail, postage prepaid, to each party listed on the attached mailing matrix, and (ii) by CM/ECF noticing to each of the following:

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- Elaine A. Monson emonson@rqn.com, docket@rqn.com;pbrown@rqn.com
- United States Trustee USTPRegion19.SK.ECF@usdoj.gov

/s/ Torri Slaughter, Legal Assistant

MAILING MATRIX dated July 30, 2018

Label Matrix for local noticing
1088-2
Case 18-25208
District of Utah
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Mon Jul 30 11:22:54 MDT 2018

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eFalls Properties Fresno CA, LLC
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West Jordan, UT 84088-5582

End of Label Matrix
Mailable recipients 15
Bypassed recipients 0
Total 15

Exhibit 1
[Promissory Note]

PROMISSORY NOTE SECURED BY DEED OF TRUST

\$6,175,000.00
Chicago, Illinois

Date: July 3, 2014
Maturity Date: July 3, 2016

1. ***AGREEMENT TO PAY.*** EFALLS PROPERTIES ELK GROVE CALLC, a Utah limited liability company ("***Elk Grove LLC***"), and THE FALLS AT ST. GEORGE, LLC, a Utah limited liability company ("***St. George LLC***"; Elk Grove LLC and St. George LLC are collectively referred to in this Note as "***Borrower***"), hereby promises to pay to the order of EAGLE GROUP FINANCE, L.P., a California limited partnership (together with its successors and assigns, "***Lender***"), the principal sum of SIX MILLION ONE HUNDRED SEVENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$6,175,000.00) (the "***Loan***"), pursuant to that certain Construction Loan Agreement of even date herewith between Borrower and Lender (the "***Loan Agreement***"), at the place and in the manner hereinafter provided, together with interest thereon at the Interest Rate (defined below), and any and all other amounts which may be due and payable hereunder or under any of the Loan Documents (as defined below) from time to time.

2. ***INTEREST RATE.***

2.1 ***Interest Prior to Default.*** Interest shall accrue on the Loan from the date of funding by Lender through and including July 3, 2016 (the "***Original Maturity Date***"; the Original Maturity Date, as extended in accordance with the terms hereof, shall be referred to herein as the "***Maturity Date***"), at an annual rate equal to twelve and zero one-hundredths percent (12.00%) (the "***Interest Rate***").

2.2 ***Interest After Default.*** From and after the Maturity Date or upon the occurrence and during the continuance of an Event of Default, interest shall accrue on the Loan during any such period at an annual rate (the "***Default Rate***") equal to twenty-four and zero one-hundredths percent (24.00%); *provided, however*, in no event shall the Default Rate exceed the Highest Lawful Rate (defined below). The interest accruing under this paragraph shall be immediately due and payable by Borrower to the holder of this Note upon demand and shall be additional indebtedness evidenced by this Note. In addition, the parties intend that the Default Rate shall be the rate of interest applicable to any judgment obtained by Lender, from and after the date of such judgment, notwithstanding any state or federal law or procedure prescribing the interest rate applicable to judgments or judgment debts to the contrary.

2.3 ***Interest Calculation.*** Interest on this Note will be calculated on the basis of a three hundred sixty (360) day year and the actual number of days elapsed in any portion of a month in which interest is due. Borrower acknowledges and agrees that the calculation of interest on the basis described in the immediately preceding sentence may result in the accrual and payment of interest in amounts greater than those which would be payable if interest were calculated on the basis of a three hundred sixty-five (365) day year.

3. EXTENSION OF MATURITY DATE.

3.1 Extension Requirements. Provided that no Event of Default exists, or an event which with the passage of time or the giving of notice or both would constitute an Event of Default, Borrower may extend the term of this Note until July 3, 2017 (the "**Extended Maturity Date**") commencing on the date immediately following the Original Maturity Date *only if*:

(a) Borrower provides Lender with written notice of its intent to so extend the Original Maturity Date not less than thirty (30) days prior to the Original Maturity Date (the "**Extension Notice**"); and

(b) concurrently with Borrower's deposit of the Extension Notice with Lender, Borrower provides Lender with an extension fee in an amount equal to **SIXTY-ONE THOUSAND SEVEN HUNDRED FIFTY AND 00/100 DOLLARS (\$61,750.00)**;

(c) Borrower rebalances any interest and/or tax reserves maintained by Lender;

(d) Borrower provides Lender with updated financial statements and tax returns for Borrower and Guarantor (defined below), all as requested by and satisfactory to Lender;

(e) The Loan is in good standing, including, but not limited to, Lender's determination, in its sole discretion, that the value of the Premises (defined below) has not diminished; and

(f) All conditions to the final Construction Disbursement set forth in Section 6.12 of the Loan Agreement have been satisfied.

4. PAYMENT TERMS.

4.1 Principal and Interest. Payments of principal and interest due under this Note, if not sooner declared to be due in accordance with the provisions hereof, shall be made as follows:

(a) Concurrently on the date the Loan is funded by Lender (the "**Closing**"), Borrower shall pay to Lender interest only at the Interest Rate for the period commencing on the date of Closing and ending on the last day of the month in which the Closing occurs.

(b) Commencing on September 1, 2014, and on the first (1st) day of each month thereafter (if such day is not a Business Day, then the next occurring Business Day) through and including the month in which the Maturity Date occurs, payments of interest in the amount of **SIXTY-TWO THOUSAND SIX HUNDRED SEVEN AND 64/100 DOLLARS (\$62,607.64)** shall be due and payable in full.

(c) The entire unpaid principal balance of this Note, if not sooner paid or declared to be due in accordance with the terms hereof, together with all accrued and unpaid interest thereon and any other amounts due and payable hereunder or under any other Loan Document (defined below), shall be due and payable in full on the Maturity Date.

4.2 Application of Payments. Prior to the occurrence of an Event of Default, all payments and prepayments on account of the indebtedness evidenced by this Note shall be applied as follows: (a) first, to fees, expenses, costs and other similar amounts then due and payable to Lender, including, without limitation any prepayment premium, exit fee or late charges due hereunder, (b) second, to accrued and unpaid interest on the principal balance of this Note, (c) third, to the payment of principal due in the month in which the payment or prepayment is made, (d) fourth, to any escrows, impounds or other amounts which may then be due and payable under the Loan Documents (defined below), (e) fifth, to any other amounts then due Lender hereunder or under any of the Loan Documents, and (f) last, to the unpaid principal balance of this Note in the inverse order of maturity. Any prepayment on account of the indebtedness evidenced by this Note shall not extend or postpone the due date or reduce the amount of any subsequent monthly payment of principal and interest due hereunder. After an Event of Default has occurred and is continuing, payments may be applied by Lender to amounts owed hereunder and under the Loan Documents in such order as Lender shall determine, in its sole discretion.

4.3 Method of Payments. All payments of principal and interest hereunder shall be paid by automatic debit, wire transfer, check or in coin or currency which, at the time or times of payment, is the legal tender for public and private debts in the United States of America and shall be made at such place as Lender or the legal holder or holders of this Note may from time to time appoint in the payment invoice or otherwise in writing, and in the absence of such appointment, then at the offices of Lender, as servicing agent, 12100 Wilshire Boulevard, Suite 520, Los Angeles, CA 90025-6608. Payment made by check shall be deemed paid on the date Lender receives such check; provided, however, that if such check is subsequently returned to Lender unpaid due to insufficient funds or otherwise, the payment shall not be deemed to have been made and shall continue to bear interest until collected. Notwithstanding the foregoing, the final payment due under this Note must be made by wire transfer or other final funds.

4.4 Late Charge. If any payment of interest or principal due hereunder is not made within five (5) days after such payment is due in accordance with the terms hereof, then, in addition to the payment of the amount so due, Borrower shall pay to Lender a "late charge" of ten cents for each whole dollar so overdue to defray part of the cost of collection and handling such late payment. Borrower agrees that the damages to be sustained by the holder hereof for the detriment caused by any late payment are extremely difficult and impractical to ascertain, and that the amount of ten cents (\$.10) for each one dollar (\$1.00) due is a reasonable estimate of such damages, does not constitute interest, and is not a penalty.

4.5 Loan Fees. In consideration of Lender's agreement to make the Loan, Borrower shall pay (i) to Lender a non-refundable fee in the amount of **ONE HUNDRED TWENTY-THREE THOUSAND FIVE HUNDRED AND 00/100 DOLLARS** (\$123,500.00), and (ii) to Financial Compound **ONE HUNDRED TWENTY-THREE THOUSAND FIVE HUNDRED AND 00/100 DOLLARS**

(\$123,500.00), each of which shall be due and payable in full as a condition precedent to the first disbursement of proceeds under this Note.

4.6 Prepayment. Provided that no Event of Default then exists, Borrower may voluntarily prepay the principal balance of this Note, in whole but not in part, provided that Borrower shall: (i) deliver to Lender written notice of its intention to prepay this Note in full, at least five (5) business days prior to such payment, which notice shall be irrevocable and shall state the prepayment date; (ii) pay to Lender all accrued and unpaid interest (and all other outstanding fees and expenses) through the prepayment date; and (iii) if the prepayment occurs on or prior to July 1, 2015 (the "**Outside Prepayment Date**"), pay to Lender a prepayment premium (the "**Prepayment Fee**") equal to the interest payments that would be due and payable through the Outside Prepayment Date.

4.7 Certain Payments. BY INITIALING BELOW, BORROWER ACKNOWLEDGES AND UNDERSTANDS THAT: (I) PURSUANT TO THE TERMS OF THIS NOTE, BORROWER HAS AGREED THAT BORROWER SHALL BE LIABLE FOR PAYMENT OF THE PREPAYMENT FEE UPON ANY PREPAYMENT OF THE NOTE, WHETHER VOLUNTARILY OR AS A RESULT OF THE ACCELERATION OF THIS NOTE IN ACCORDANCE WITH ITS TERMS; AND (II) LENDER'S AGREEMENT TO MAKE THE LOAN AT THE INTEREST RATES AND FOR THE TERMS SET FORTH HEREIN AND IN THE OTHER LOAN DOCUMENTS CONSTITUTES ADEQUATE AND VALUABLE CONSIDERATION, GIVEN INDIVIDUAL WEIGHT BY BORROWER FOR THIS AGREEMENT.

Initials: SD

5. SECURITY. This Note is secured by, among other things: (i) a Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing ("**California Deed of Trust**") of even date herewith made by Elk Grove LLC to Lender creating a first mortgage lien on certain real property ("**California Premises**") located in Sacramento County, California, legally described in Exhibit "A" attached to the Deed of Trust; (ii) an Assignment of Rents and Leases ("**California Assignment**") of even date herewith from Elk Grove LLC to Lender; (iii) a Junior Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing ("**Utah Deed of Trust**"; the California Deed of Trust and the Utah Deed of Trust are collectively referred to in this Note as the "**Deed of Trust**") of even date herewith made by St. George LLC to Lender creating a second mortgage lien on certain real property ("**Utah Premises**"; the California Premises and the Utah Premises are collectively referred to in this Note as the "**Premises**") located in Washington County, Utah, legally described in Exhibit "A" attached to the Deed of Trust; (iv) a Junior Assignment of Rents and Leases ("**Utah Assignment**"; the California Assignment and the Utah Assignment are collectively referred to in this Note as the "**Assignment**") of even date herewith from Elk Grove LLC to Lender; (v) a Guaranty of Recourse Obligations ("**Guaranty**") of even date herewith from STEVEN L. DOWN ("**Guarantor**") to Lender; and (vi) an Environmental Indemnity Agreement ("**Indemnity Agreement**") of even date herewith from Borrower and Guarantor to Lender (the Loan Agreement, the Deed of Trust, the Assignment, the Guaranty, the Indemnity Agreement, and any other document now or hereafter given to evidence or secure payment of this Note or delivered to induce Lender to disburse the proceeds of the Loan, as such documents may hereafter be

amended, restated or replaced from time to time, are hereinafter collectively referred to as the "**Loan Documents**"). Reference is hereby made to the Loan Documents (which are incorporated herein by reference as fully and with the same effect as if set forth herein at length) for a statement of the covenants and agreements contained therein, a statement of the rights, remedies, and security afforded thereby, and all matters therein contained.

6. EVENTS OF DEFAULT. The occurrence of any one or more of the following events shall constitute an "**Event of Default**" under this Note:

6.1 Failure to Pay. The failure by Borrower to pay (i) any installment of principal or interest payable pursuant to this Note on the date when due, or (ii) any other amount payable to Lender under this Note, the Deed of Trust or any of the other Loan Documents within five (5) days after the date when any such payment is due in accordance with the terms hereof or thereof.

6.2 Other Event of Default. The occurrence of any "Event of Default" under the Deed of Trust or any of the other Loan Documents.

7. REMEDIES. At the election of the holder hereof, and without notice, the principal balance remaining unpaid under this Note, and all unpaid interest accrued thereon and any other amounts due hereunder, shall be and become immediately due and payable in full upon the occurrence of any Event of Default. Failure to exercise this option shall not constitute a waiver of the right to exercise same in the event of any subsequent Event of Default. No holder hereof shall, by any act of omission or commission, be deemed to waive any of its rights, remedies or powers hereunder or otherwise unless such waiver is in writing and signed by the holder hereof, and then only to the extent specifically set forth therein. The rights, remedies and powers of the holder hereof, as provided in this Note, the Deed of Trust and in all of the other Loan Documents are cumulative and concurrent, and may be pursued singly, successively or together against Borrower, the Guarantor hereof, the Premises and any other security given at any time to secure the repayment hereof, all at the sole discretion of the holder hereof. If any suit or action is instituted or attorneys are employed to collect this Note or any part hereof, Borrower promises and agrees to pay all costs of collection, including reasonable attorneys' fees and court costs, including fees and costs incurred in bankruptcy, insolvency and/or other similar proceedings. If upon the occurrence of an Event of Default and acceleration of this Note, a tender of payment in the amount necessary to satisfy the Note in full together with all other amounts owed under the Loan Documents is made by Borrower, its successors or assigns, or by anyone on its or their behalf, or the purchaser at a foreclosure sale, such tender shall constitute an evasion of the prepayment terms hereof and shall be deemed to be a voluntary prepayment hereunder and any such prepayment, to the extent permitted by law, will be subject to the Prepayment Fee. Such premium or fee shall constitute liquidated damages payable to Lender on account of Borrower's breach of its agreements hereunder and Borrower's evasion of the prepayment provisions hereof; provided that Borrower hereby recognizes that any such prepayment will result in loss and damage to Lender through the occurrence of additional administrative expenses and Borrower acknowledges that Lender's damages for such a default will be extremely difficult and impracticable to ascertain and therefore agrees that the foregoing premium is a reasonable estimate of said loss and damage to Lender. Borrower expressly waives the provisions of any

present or future statute or law which prohibits or may prohibit the collection of said premium in connection with any such acceleration.

8. COVENANTS AND WAIVERS. Borrower and all others who now or may at any time become liable for all or any part of the obligations evidenced hereby, expressly agree hereby to be jointly and severally bound, and jointly and severally: (i) waive and renounce any and all homestead, redemption and exemption rights and the benefit of all valuation and appraisement privileges against the indebtedness evidenced by this Note or by any extension or renewal hereof; (ii) waive presentment and demand for payment, notices of nonpayment and of dishonor, protest of dishonor, and notice of protest; (iii) except as expressly provided in the Loan Documents, waive any and all notices in connection with the delivery and acceptance hereof and all other notices in connection with the performance, default, or enforcement of the payment hereof or hereunder; (iv) waive any and all lack of diligence and delays in the enforcement of the payment hereof; (v) agree that the liability of each Borrower, Guarantor, endorser or obligor shall be unconditional and without regard to the liability of any other person or entity for the payment hereof, and shall not in any manner be affected by any indulgence or forbearance granted or consented to by Lender to any of them with respect hereto; (vi) consent to any and all extensions of time, renewals, waivers, or modifications that may be granted by Lender with respect to the payment or other provisions hereof, and to the release of any security at any time given for the payment hereof, or any part thereof, with or without substitution, and to the release of any person or entity liable for the payment hereof; and (vii) consent to the addition of any and all other makers, endorsers, guarantors, and other obligors for the payment hereof, and to the acceptance of any and all other security for the payment hereof, and agree that the addition of any such makers, endorsers, guarantors or other obligors, or security shall not affect the liability of Borrower, Guarantor and all others now liable for all or any part of the obligations evidenced hereby. This provision is a material inducement for Lender making the Loan to Borrower.

9. OTHER GENERAL AGREEMENTS.

9.1 Business Purpose Loan. The Loan is being used for solely business purposes. Borrower agrees that the Loan evidenced by this Note is an exempted transaction under the Truth In Lending Act, 15 U.S.C., §1601, et seq.

9.2 Governing Law. This Note is governed and controlled as to validity, enforcement, interpretation, construction, effect, and in all other respects by the statutes, laws, and decisions of the State of Nevada. This Note may not be changed or amended orally but only by an instrument in writing signed by the party against whom enforcement of the change or amendment is sought.

9.3 No Joint Venture. Lender shall not be construed for any purpose to be a partner, joint venturer, agent or associate of Borrower or of any lessee, operator, concessionaire or licensee of Borrower in the conduct of its business, and by the execution of this Note, Borrower agrees to indemnify, defend, and hold Lender harmless from and against any and all damages, costs, expenses and liability that may be incurred by Lender as a result of a claim that Lender is such partner, joint venturer, agent or associate.

9.4 Joint and Several Obligations. If this Note is executed by more than one party, the obligations and liabilities of each Borrower under this Note shall be joint and several and shall be binding upon and enforceable against each Borrower and their respective successors and assigns. This Note shall inure to the benefit of and may be enforced by Lender and its successors and assigns.

9.5 Severable Loan Provisions. If any provision of this Note is deemed to be invalid by reason of the operation of law, or by reason of the interpretation placed thereon by any administrative agency or any court, Borrower and Lender shall negotiate an equitable adjustment in the provisions of the same in order to effect, to the maximum extent permitted by law, the purpose of this and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby and shall remain in full force and effect.

9.6 Interest Limitation. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE USURY LAWS APPLICABLE TO THE INDEBTEDNESS EVIDENCED BY THIS NOTE, AND SECURED BY THE DEED OF TRUST AND THE OTHER LOAN DOCUMENTS SHALL BE THE USURY LAWS OF THE STATE OF CALIFORNIA AND IT IS THE INTENTION OF THE PARTIES TO COMPLY STRICTLY WITH THE SAME (the "*Applicable Usury Laws*"). If, as the result of any acceleration of the maturity of this Note, or any payment of interest, default interest, late fees, origination fees or other charges, fees or amounts of any nature due hereunder, or under the other Loan Documents (collectively, "*Interest*") by Borrower or any other person or entity, the amount of such Interest contracted for, charged, taken, reserved, received by or paid by Borrower or such other person or entity on the principal amount outstanding under the Note, from time to time, shall exceed the Maximum Amount (defined below) then, in that event, notwithstanding anything to the contrary in this Note or any other Loan Document or any other agreement or instrument, the parties agree as follows: (i) the aggregate of all Interest under that is contracted for, charged, taken, reserved or received under this Note, or under the Loan Documents, or under any of the other aforesaid agreements or instruments or otherwise shall under no circumstances exceed the Maximum Amount and any excess shall either be refunded to Borrower or applied in reduction of principal, in the sole discretion of Lender; (ii) neither Borrower nor any other person or entity shall be obligated to pay the amount of such Interest to the extent that it is in excess of the Maximum Amount; (iii) any Interest contracted for, charged, reserved, taken or received in excess of the Maximum Amount shall be deemed an accidental or bona fide error and cancelled automatically to the extent of such excess; and (iv) the effective rate of interest on the Loan shall be ipso facto reduced to the Highest Lawful Rate (defined below), and the provisions of this Note, the Deed of Trust and the other Loan Documents immediately shall be deemed reformed, without the necessity of the execution of any new document or instrument, so as to comply with the Applicable Usury Laws; provided, however, that to the fullest extent permitted by Applicable Usury Laws, any subsequent reductions in the effective interest rate shall not reduce the Interest to accrue pursuant to this Note, the Deed of Trust and the other Loan Documents below the Highest Lawful Rate until the aggregate amount of Interest actually accrued pursuant to this Note, the Deed of Trust and the other Loan Documents equals the amount of Interest which would have accrued if the Highest Lawful Rate had at all times been in effect. All Interest paid, or agreed to be paid, to Lender pursuant to this Note, the Deed of Trust and the other Loan Documents shall, to the fullest extent permitted by the Applicable Usury Laws, be amortized, pro-rated, allocated and spread throughout the full term of the indebtedness evidenced by this

Note, the Deed of Trust and the other Loan Documents so that Interest hereunder does not exceed the Highest Lawful Rate in effect at any particular time during the full term thereof. In any event, Lender may, at any time, from time to time, elect by notice in writing to Borrower to reduce or limit the collection of Interest without prejudice to its rights hereunder or otherwise under the Loan Documents. As used herein, the term "**Maximum Amount**" means the maximum non-usurious amount of Interest which may be lawfully contracted for, charged, reserved, taken, or received by Lender in connection with the indebtedness evidenced by this Note, and secured by the Deed of Trust and other Loan Documents under the Applicable Usury Laws. For purposes of this Note, the term "**Highest Lawful Rate**" means the maximum rate of interest, if any, that may be charged under the Applicable Usury Laws on the principal balance of the Loan from time to time outstanding.

9.7 Assignability. Lender may at any time assign its rights in this Note and the Loan Documents, or any part thereof and transfer its rights in any or all of the collateral, and Lender thereafter shall be relieved from all liability with respect to such collateral. In addition, Lender may at any time sell one or more participations in this Note. Borrower may not assign its interest in this Note, or any other agreement with Lender or any portion thereof, either voluntarily or by operation of law, without the prior written consent of Lender.

9.8 Time of the Essence. Time is of the essence under this Note and other Loan Documents.

9.9 Inconsistency of Terms. In the event of any inconsistency among the terms hereof (including incorporated terms), or between such terms and the terms of any other Loan Document, Lender may elect which terms shall govern and prevail.

10. NOTICES. All notices required under this Note will be in writing and will be transmitted in the manner and to the addresses required by the Loan Agreement, or to such other addresses as Lender and Borrower may specify from time to time in writing.

11. CONSENT TO JURISDICTION. TO INDUCE LENDER TO ACCEPT THIS NOTE, BORROWER IRREVOCABLY AGREES THAT, SUBJECT TO LENDER'S SOLE AND ABSOLUTE ELECTION, ALL ACTIONS OR PROCEEDINGS IN ANY WAY ARISING OUT OF OR RELATED TO THIS NOTE WILL BE LITIGATED IN COURTS HAVING SITUS IN LOS ANGELES COUNTY, CALIFORNIA. BORROWER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY COURT LOCATED WITHIN LOS ANGELES COUNTY, CALIFORNIA, WAIVES PERSONAL SERVICE OF PROCESS UPON BORROWER, AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO BORROWER AT THE ADDRESS STATED IN THE DEED OF TRUST AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT.

12. WAIVER OF JURY TRIAL. TO THE EXTENT PERMITTED BY APPLICABLE LAW, BORROWER AND LENDER (BY ACCEPTANCE OF THIS NOTE), HAVING BEEN REPRESENTED BY COUNSEL, EACH KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (a) UNDER THIS NOTE OR ANY RELATED

AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION WITH THIS NOTE OR (b) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS NOTE, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING WILL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. BORROWER AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST LENDER ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES.

13. *FACSIMILE/ELECTRONIC SIGNATURE AND DOCUMENTS; COUNTERPARTS.* Signatures transmitted and received via facsimile or electronic email will be treated for all purposes under this Note and other Loan Documents as original signatures and will be deemed valid, binding, and enforceable by and against the all parties. Transmitted copies (reproduced documents that are transmitted via photocopy, facsimile, electronically or any other process that accurately transmits the original) will be considered documents equivalent to the original documents. This document may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

14. *LIMITATION OF LIABILITY; RECOURSE CARVE-OUTS.*

14.1 *Limitation of Liability.* Except as provided below in this Section, Lender will look solely to the Premises and the security under the Loan Documents for the repayment of the Loan; and Borrower shall not be personally liable for amounts due under the Loan Documents.

14.2 *Recourse Carve-outs.* Notwithstanding *Section 14.1*, Borrower and Guarantor shall be personally liable to Lender for any deficiency, loss, or damage suffered by Lender because of:

(a) the breach of any representation, warranty, covenant or indemnification provision in the Deed of Trust, the Indemnity Agreement, or any other Loan Document concerning environmental laws, hazardous substances and asbestos and any indemnification of Lender with respect thereto in any such document;

(b) intentional physical waste or, after the occurrence and during the continuance of an Event of Default, the removal or disposal of any material portion of the Premises by Borrower, Guarantor or any affiliates of Borrower or any Guarantor, unless the same is either (A) not reasonably required for operation of the Premises in the ordinary course of Borrower's business, or (B) replaced by reasonably comparable property;

(c) the misappropriation, conversion or application in violation of the Loan Documents by Borrower of (A) any insurance proceeds paid by reason of any loss, damage or destruction to the Premises, (B) any awards or other amounts received in connection with the condemnation of all or a portion of the Premises, (C) rents received by Borrower after the occurrence of an Event of Default, or (D) Borrower's misapplication or misappropriation of security deposits (including the failure to deliver

any such deposits to Lender upon a foreclosure of the Premises or an action in lieu thereof, except to the extent any such deposits were applied in accordance with the terms and conditions of the applicable Lease prior to the occurrence of the Event of Default giving rise to such foreclosure or action in lieu thereof), except to the extent Borrower did not have the legal right to pay such gross revenues to Lender due to the existence of a bankruptcy proceeding or receivership appointment in respect of the Borrower or the Premises);

(d) the failure to pay charges for labor or materials or other charges that can create liens on any portion of the Premises to the extent there is sufficient cash flow from the Premises to pay such charges, except if such liens are being contested or bonded over or discharged in accordance with the Loan Documents;

(e) the failure to pay (A) Charges, or (B) obtain and maintain the fully paid for insurance policies in accordance with the requirements set forth in the Deed of Trust, but only to the extent gross revenue from the Premises is available, before payment of any other cost or expense;

(f) the commission of a criminal act by Borrower, any Guarantor or any of their respective agents;

(g) the amendment, modification, termination, cancellation or acceptance of a surrender of any major Lease, or the waiver of any of the terms or provisions of any major Lease, in each case without Lender's prior written consent, where such consent is required under the Loan Documents;

(h) in connection with the Loan or the Premises (including, without limitation, any Lease), Borrower, any Guarantor, any affiliate of Borrower or any Guarantor or any of their respective agents or representatives, engages in any action constituting willful or material misrepresentation, gross negligence or willful misconduct;

(i) in connection with the Loan or the Premises (including, without limitation, any Lease), Borrower, any Guarantor, any affiliate of Borrower or any Guarantor or any of their respective agents or representatives, engages in any action constituting fraud;

(j) the first monthly payment of interest under the Note is not paid in full when due (provided, however, Borrower shall not have any liability under this clause (j) if funds were available in the interest reserve to pay same);

(k) Borrower fails to obtain Lender's prior consent to any indebtedness or any voluntary Lien by Borrower, Guarantor or an affiliate of Borrower or any Guarantor encumbering the Premises or any portion thereof or interest therein, except to the extent expressly permitted by the Loan Documents;

(l) Borrower fails to obtain Lender's prior consent to any transfer of the Premises or the direct or indirect ownership interest of Borrower or any Guarantor, except to the extent expressly permitted by the Loan Documents;

(m) Borrower or Guarantor files a voluntary petition under the Bankruptcy Code (defined below) or any other federal, state, local or foreign bankruptcy or insolvency law;

(n) an affiliate, officer, director or representative which controls, directly or indirectly, Borrower files, or joins in the filing of, an involuntary petition against Borrower under the Bankruptcy Code or any other federal, state, local or foreign bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition against Borrower from any person;

(o) Borrower or Guarantor files an answer consenting to, or otherwise acquiescing in, or joining in, any involuntary petition filed against it, by any other person under the Bankruptcy Code or any other federal, state, local or foreign bankruptcy or insolvency law, or solicits or causes to be solicited petitioning creditors for any involuntary petition from any person;

(p) any affiliate, officer, director or representative which controls Borrower, or Guarantor consents to, or acquiesces in, or joins in, an application for the appointment of a custodian, receiver, trustee or examiner for Borrower or Guarantor or any portion of the Premises;

(q) Borrower or Guarantor makes an assignment for the benefit of creditors, or admits, in writing or in any legal proceeding, its insolvency or inability to pay its debts as they become due; or

(r) Borrower, any Guarantor (or any person comprising Borrower or any Guarantor), or any affiliate of any of the foregoing, in connection with any enforcement action or exercise or assertion of any right or remedy by or on behalf of Lender under or in connection with this Note, the Deed of Trust, the Guaranty or any other Loan Document, seeks a defense, judicial intervention or injunctive or other equitable relief of any kind or asserts in a pleading filed in connection with a judicial proceeding any defense against Lender or any right in connection with any security for the Loan, which is judicially determined to be frivolous, brought in bad faith, without merit (in the case of a defense) or unwarranted (in the case of a request for judicial intervention or injunctive or other equitable relief).

As used in this Section, the term: (i) "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or activities of a person, whether through ownership of voting securities, by contract or otherwise; and (ii) "**Bankruptcy Code**" means the Bankruptcy Reform Act of 1978 (11 U.S.C.), as amended or supplemented from time to time, and any successor statute, and any and all rules issued or promulgated in connection therewith.

Notwithstanding anything to the contrary in this Note, the Deed of Trust or in any of the other Loan Documents, Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the obligations or to require that all collateral shall continue to

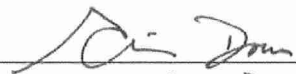
secure all of the obligations owing to Lender in accordance with the Loan Documents.

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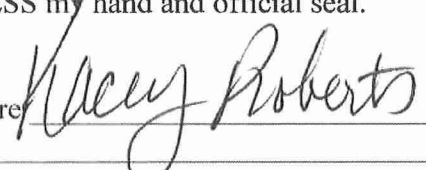
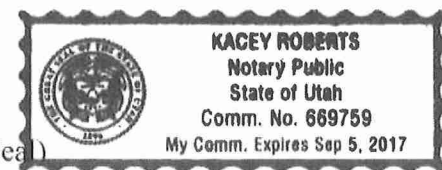
IN WITNESS WHEREOF, Borrower has executed and delivered this Promissory Note Secured by Deed of Trust as of the day and year first written above.

BORROWER:

EFALLS PROPERTIES ELK GROVE CA LLC, a
Utah limited liability company

By: 
Name: Steve Down
Title: President

[BORROWER ALSO TO INITIAL SECTION 4.7]

STATE OF <u>Utah</u>) COUNTY OF <u>Salt Lake</u>) SS
On <u>June</u> <u>17</u> , 20 <u>14</u> , before me, <u>Kacey Roberts</u> , personally appeared <u>Steve Down</u> who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.
WITNESS my hand and official seal.
Signature <u></u> (Seal) 

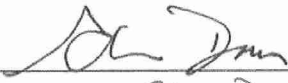
[Signatures Continued on Following Page]

SIGNATURE PAGE 1
PROMISSORY NOTE SECURED BY DEED OF TRUST
EFALLS PROPERTIES ELK GROVE CA LLC
THE FALLS AT ST. GEORGE, LLC

4876074

[Signatures Continued from Preceding Page]

THE FALLS AT ST. GEORGE, LLC, a Utah
limited liability company

By: 
Name: Steve Down
Title: President

[BORROWER ALSO TO INITIAL SECTION 4.7]

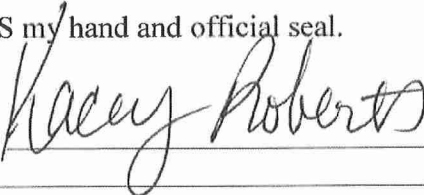
STATE OF Utah)
COUNTY OF Salt Lake) SS

On June 17, 2014, before me, Kacey Roberts,
personally appeared Steve Down who proved to me on the basis of
satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their
authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or
the entity upon behalf of which the person(s) acted, executed the instrument.

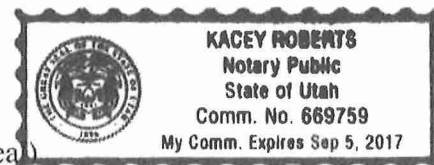
I certify under **PENALTY OF PERJURY** under the laws of the State of California that
the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature



(Seal)



SIGNATURE PAGE 2
PROMISSORY NOTE SECURED BY DEED OF TRUST
EFALLS PROPERTIES ELK GROVE CA LLC
THE FALLS AT ST. GEORGE, LLC

4876074

Exhibit 2
[Deed of Trust]

RECORDING REQUESTED
BY AND WHEN RECORDED
RETURN TO:

MUCH *SHELIST*
2 Park Plaza, Suite 1075
Irvine, California 92614
Attention: Glenn D. Taxman

CERTIFIED TO BE A TRUE COPY
RECORDED *July 7 2014*
BOOK *2014* PAGE *714*
SERIES No. *0707*
STEWART TITLE OF SACRAMENTO
BY: *[Signature]*

**CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING**

by "Unrecorded leases less than 35 years."

EFALLS PROPERTIES ELK GROVE CA LLC,
a Utah limited liability company,
as Trustor,

to **EAGLE RPM CORP.,**
a California corporation,
as Trustee,

for the benefit of

EAGLE GROUP FINANCE, L.P.,
a California limited partnership,
as Beneficiary

THIS INSTRUMENT CONSTITUTES A FIXTURE FILING AND IS TO BE INDEXED IN
THE REAL PROPERTY RECORDS.

ATTENTION COUNTY RECORDER: THIS INSTRUMENT IS INTENDED TO BE
EFFECTIVE AS A FINANCING STATEMENT FILED AS A FIXTURE FILING PURSUANT
TO SECTION 9-501 OF THE CALIFORNIA COMMERCIAL CODE. PORTIONS OF THE
GOODS COMPOSING A PART OF THE REAL ESTATE PROPERTY ARE OR ARE TO
BECOME FIXTURES RELATED TO THE REAL ESTATE DESCRIBED IN EXHIBIT "A"
HERETO. THIS INSTRUMENT IS TO BE FILED FOR RECORD IN THE RECORDS OF
THE COUNTY WHERE DEEDS OF TRUST ON REAL PROPERTY ARE RECORDED AND
SHOULD BE INDEXED AS BOTH A DEED OF TRUST AND AS A FINANCING
STATEMENT COVERING FIXTURES. THE ADDRESSES OF TRUSTOR (DEBTOR) AND
BENEFICIARY (SECURED PARTY) ARE SPECIFIED IN PARAGRAPH 23 OF THIS
INSTRUMENT.

**CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND
LEASES,
AND FIXTURE FILING**

This CONSTRUCTION DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING (this "*Deed of Trust*") is dated as of July 3, 2014, and is executed by EFALLS PROPERTIES ELK GROVE CA LLC, a Utah limited liability company ("*Trustor*"), to EAGLE RPM CORP., a California corporation ("*Trustee*"), for the benefit of EAGLE GROUP FINANCE, L.P., a California limited partnership, and its successors and assigns ("*Beneficiary*").

RECITALS:

A. Pursuant to the terms and conditions of a Construction Loan Agreement of even date herewith (as amended, restated or replaced from time to time, the "*Loan Agreement*") between (i) Trustor and THE FALLS AT ST. GEORGE, LLC, a Utah limited liability company ("*St. George LLC*"; Trustor and St. George LLC are collectively referred to in this Deed of Trust as "*Borrowers*") and (ii) Beneficiary, Beneficiary has agreed to loan to Borrowers the principal amount of SIX MILLION ONE HUNDRED SEVENTY-FIVE THOUSAND AND 00/100 DOLLARS (\$6,175,000.00) (the "*Loan*"). The Loan shall be evidenced by that certain Promissory Note Secured by Deed of Trust of even date herewith (as amended, restated or replaced from time to time, the "*Note*"), executed by Borrowers and made payable to the order of Beneficiary in the original principal amount of the Loan and due on July 3, 2016, subject to extension to July 3, 2017, as provided in the Note (the "*Maturity Date*"), except as may be accelerated pursuant to the terms hereof, of the Note, of the Loan Agreement, or of any other document or instrument now or hereafter given to evidence or secure the payment of the Note or delivered to induce Beneficiary to disburse the proceeds of the Loan (the Note, together with such other documents, as amended, restated or replaced from time to time, being collectively referred to herein as the "*Loan Documents*").

B. A condition precedent to Beneficiary's extension of the Loan to Borrowers is the execution and delivery by Trustor of this Deed of Trust.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Trustor agrees as follows:

AGREEMENTS:

In order to secure the payment of the indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, warranties and undertakings of Trustor hereinafter described, Trustor hereby GRANTS, BARGAINS, SELLS, CONVEYS, TRANSFERS, ASSIGNS, MORTGAGES, WARRANTS AND SETS OVER to Trustee for the benefit of Beneficiary, its successors and assigns, and grants to Beneficiary a security interest in, the following described property, rights and interest (referred collectively herein as "*Premises*") all of which property, rights and interest are hereby granted and pledged primarily and on parity with the real estate (as defined below) and not secondarily:

THE REAL ESTATE located in the County of Sacramento, State of California and legally described on Exhibit A attached hereto and made a part hereof ("**Real Estate**");

TOGETHER WITH all improvements of every nature whatsoever now or hereafter situated on the Real Estate, and all fixtures and personal property of every nature whatsoever now or hereafter owned by Trustor and located on, or used in connection with the Real Estate or the improvements thereon, or in connection with any construction thereon, including all extensions, additions, improvements, betterments, renewals, substitutions and replacements to any of the foregoing and all of the right, title and interest of Trustor in and to any such personal property or fixtures together with the benefit of any deposits or payments now or hereafter made on such personal property or fixtures by Trustor or on its behalf ("**Improvements**");

TOGETHER WITH all easements, rights of way, gores of real estate, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, mineral rights, air rights, development rights and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way now or hereafter belonging, relating or appertaining to the Real Estate, and the reversions, remainders, rents, issues and profits thereof, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law as well as in equity, of Trustor of, in and to the same;

TOGETHER WITH all rents, revenues, issues, profits, proceeds, income, royalties, "accounts," including "health-care-insurance receivables," escrows, letter-of-credit rights (each as defined in the Code hereinafter defined), security deposits, impounds, reserves, tax refunds and other rights to monies from the Premises and/or the businesses and operations conducted by Trustor thereon, to be applied against the Indebtedness (hereinafter defined), all of which Trustor hereby absolutely and unconditionally assigns to Beneficiary; provided, however, that Trustor, so long as no Event of Default (as hereinafter defined) has occurred hereunder, may collect rent as it becomes due, but not more than one (1) month in advance thereof;

TOGETHER WITH all interest of Trustor in all leases now or hereafter on the Premises, whether written or oral ("**Leases**"), together with all security therefor and all monies payable thereunder, all of which Trustor hereby absolutely and unconditionally assigns to Beneficiary, subject, however, to the conditional permission hereinabove given to Trustor to collect the rentals under any such Lease;

TOGETHER WITH all fixtures and articles of personal property now or hereafter owned by Trustor and forming a part of or used in connection with the Real Estate or the Improvements, including, but without limitation, any and all air conditioners, antennae, appliances, apparatus, awnings, basins, bathtubs, bidets, boilers, bookcases, cabinets, carpets, coolers, curtains, dehumidifiers, disposals, doors, drapes, dryers, ducts, dynamos, elevators, engines, equipment, escalators, exercise equipment, fans, fittings, floor coverings, furnaces, furnishings, furniture, hardware, heaters, humidifiers, incinerators, lighting, machinery, motors, ovens, pipes, plumbing, pumps, radiators, ranges, recreational facilities, refrigerators, screens, security systems, shades, shelving, sinks, sprinklers, stokers, stoves, toilets, ventilators, wall coverings, washers, windows, window coverings, wiring, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are or shall be attached to the Real Estate or the Improvements in any manner; it being mutually agreed that all of the aforesaid

property owned by Trustor and placed on the Real Estate or the Improvements, so far as permitted by law, shall be deemed to be fixtures, a part of the realty, and security for the Indebtedness (as hereinafter defined); notwithstanding the agreement hereinabove expressed that certain articles of property form a part of the realty covered by this Deed of Trust and be appropriated to its use and deemed to be realty, to the extent that such agreement and declaration may not be effective and that any of said articles may constitute goods (as said term is used in the Uniform Commercial Code as adopted in the State of California in effect from time to time ("**Code**"), this instrument shall constitute a security agreement, creating a security interest in such goods, as collateral, in Beneficiary, as a secured party, and Trustor, as Debtor, all in accordance with the Code;

TOGETHER WITH all of Trustor's interests in "general intangibles" including "payment intangibles" and "software" (each as defined in the Code) now owned or hereafter acquired and related to the Premises, including, without limitation, all of Trustor's right, title and interest in and to: (i) all agreements, licenses, permits and contracts to which Trustor is or may become a party and which relate to the Premises; (ii) all obligations and indebtedness owed to Trustor thereunder; (iii) all intellectual property related to the Premises; and (iv) all choses in action and causes of action relating to the Premises;

TOGETHER WITH all of Trustor's accounts now owned or hereafter created or acquired as relate to the Premises, including, without limitation, all of the following now owned or hereafter created or acquired by Trustor: (i) accounts, contract rights, health-care-insurance receivables, book debts, notes, drafts, and other obligations or indebtedness owing to Trustor arising from the sale, lease or exchange of goods or other property and/or the performance of services; (ii) Trustor's rights in, to and under all purchase orders for goods, services or other property; (iii) Trustor's rights to any goods, services or other property represented by any of the foregoing; (iv) monies due to become due to Trustor under all contracts for the sale, lease or exchange of goods or other property and/or the performance of services including the right to payment of any interest or finance charges in respect thereto (whether or not yet earned by performance on the part of Trustor); (v) "securities", "investment property," "financial assets," and "securities entitlements" (each as defined in the Code), and (vi) proceeds of any of the foregoing and all collateral security and guaranties of any kind given by any person or entity with respect to any of the foregoing; and all warranties, guarantees, permits and licenses in favor of Trustor with respect to the Premises; and

TOGETHER WITH all proceeds of the foregoing, including, without limitation, all judgments, awards of damages and settlements hereafter made resulting from condemnation proceeds or the taking of the Premises or any portion thereof under the power of eminent domain, any proceeds of any policies of insurance, maintained with respect to the Premises or proceeds of any sale, option or contract to sell the Premises or any portion thereof.

TO HAVE AND TO HOLD the Premises unto Trustee, and its successors and substitutes in this trust and to its and their successors and assigns, in trust, **WITH POWER OF SALE AND THE RIGHT OF RE-ENTRY AND POSSESSION**, for the benefit of Beneficiary and its successors and assigns, upon the terms, provisions and conditions herein set forth.

FOR THE PURPOSE OF SECURING: (i) the payment of the Loan and all interest, late

charges, prepayment premium, if any, exit fee, if any, and other indebtedness evidenced by or owing under the Note, any of the other Loan Documents, together with any extensions, modifications, renewals or refinancings of any of the foregoing; (ii) the performance and observance of the covenants, conditions, agreements, representations, warranties and other liabilities and obligations of Borrowers or any other obligor to or benefiting Beneficiary which are evidenced or secured by or otherwise provided in the Note, this Deed of Trust or any of the other Loan Documents, except for the obligations of Guarantor (as defined in the Note) under that certain Guaranty of Recourse Obligations ("**Guaranty**") dated the Effective Date and the obligations of Borrowers and Guarantor under that certain Environmental Indemnity Agreement ("**Indemnity**") dated the Effective Date which obligations, notwithstanding anything to the contrary in this Deed of Trust, shall not be secured by this Deed of Trust; and (iii) the reimbursement to Beneficiary of any and all sums incurred, expended or advanced by Beneficiary pursuant to any term or provision of or constituting additional indebtedness under or secured by this Deed of Trust, or any of the other Loan Documents, with interest thereon as provided herein or therein (collectively, the "**Indebtedness**").

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. **TITLE.** Trustor represents, warrants and covenants that (a) Trustor is the holder of the fee simple title to the Premises, free and clear of all liens and encumbrances, except those liens and encumbrances in favor of Beneficiary and as otherwise described on **Exhibit "B"** attached hereto and made a part hereof (the "**Permitted Exceptions**"); and (b) Trustor has legal power and authority to mortgage and convey the Premises.

2. **MAINTENANCE, REPAIR, RESTORATION, PRIOR LIENS, PARKING.** Except for the construction work contemplated pursuant to the Loan Agreement, Trustor covenants that, so long as any portion of the Indebtedness remains unpaid, Trustor will:

(a) promptly repair, restore or rebuild any Improvements now or hereafter on the Premises which may become damaged or be destroyed to a condition substantially similar to the condition immediately prior to such damage or destruction, whether or not proceeds of insurance are available or sufficient for the purpose;

(b) keep the Premises in good condition and repair, without waste, and free from mechanics', materialmen's or like liens or claims or other liens or claims for lien (subject to Trustor's right to contest liens as permitted by the terms of **Section 24** hereof);

(c) pay when due the Indebtedness in accordance with the terms of the Note and the other Loan Documents and duly perform and observe all of the terms, covenants and conditions to be observed and performed by Trustor under the Note, this Deed of Trust and the other Loan Documents;

(d) pay when due any indebtedness which may be secured by a permitted lien or charge on the Premises on a parity with, superior to or inferior to the lien hereof, and upon request exhibit satisfactory evidence of the discharge of such lien to Beneficiary (subject to Trustor's right to contest liens as permitted by the terms of **Section 24** hereof);

(e) complete within a reasonable time any Improvements now or at any time in the process of erection upon the Premises, to the extent permitted hereby or by the Note;

(f) comply with all requirements of law, municipal ordinances or restrictions and covenants of record with respect to the Premises and the use thereof;

(g) obtain and maintain in full force and effect, and abide by and satisfy the material terms and conditions of, all material permits, licenses, registrations and other authorizations with or granted by any governmental authorities that may be required from time to time with respect to the performance of its obligations under this Deed of Trust;

(h) make no material alterations in the Premises or demolish any portion of the Premises without Beneficiary's prior written consent, except as required by law or municipal ordinance and except as permitted by the Note;

(i) not commence the erection of any Improvements upon the Premises without Beneficiary's prior written consent, except as permitted by the Note;

(j) suffer or permit no change in the use or general nature of the occupancy of the Premises, without Beneficiary's prior written consent;

(k) pay when due all operating costs of the Premises;

(l) not initiate or acquiesce in any zoning reclassification with respect to the Premises, without Beneficiary's prior written consent;

(m) provide and thereafter maintain adequate parking areas within the Premises as may be required by law, ordinance or regulation (whichever may be greater), together with any sidewalks, aisles, streets, driveways and sidewalk cuts and sufficient paved areas for ingress, egress and right-of-way to and from the adjacent public thoroughfares necessary or desirable for the use thereof;

(n) comply, and cause the Premises at all times to be operated in compliance, with all applicable federal, state, local and municipal environmental, health and safety laws, statutes, ordinances, rules and regulations; and

(o) without limiting the generality of subsection (n) above, (i) ensure, and cause each of its subsidiaries to ensure, that no person who owns twenty percent (20.00%) or more of the equity interests in Trustor, or otherwise controls Trustor or any of its subsidiaries is or shall be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("*OFAC*"), the Department of the Treasury or included in any Executive Orders, (ii) not use or permit the use of the proceeds of the Loan to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto, and (iii) comply, and cause each of its subsidiaries to comply, with all applicable Bank Secrecy Act laws and regulations, as amended.

3. PAYMENT OF TAXES AND ASSESSMENTS. Trustor will pay when due and before any penalty attaches, all general and special taxes, assessments, water charges, sewer charges,

and other fees, taxes, charges and assessments of every kind and nature whatsoever (all herein generally called "*Taxes*"), whether or not assessed against Trustor, if applicable to the Premises or any interest therein, or the Indebtedness, or any obligation or agreement secured hereby, subject to Trustor's right to contest the same, as provided by the terms hereof; and Trustor will, upon written request, furnish to Beneficiary duplicate receipts therefor within ten (10) days after Beneficiary's request.

4. **TAX DEPOSITS.** At Beneficiary's option, on the date of this Deed of Trust, Trustor shall deposit with Beneficiary a sum equal to an amount sufficient, in Beneficiary's reasonable determination, to pay all Taxes on the Premises which are to become due and payable during the term of the Loan. Such deposits are to be held without any allowance of interest and are to be used for the payment of Taxes next due and payable when they become due. So long as no Event of Default shall exist, Beneficiary shall, at its option, pay such Taxes when the same become due and payable (upon submission of appropriate bills therefor from Trustor) or shall release sufficient funds to Trustor for the payment thereof. If the funds so deposited are insufficient to pay any such Taxes for any year (or installments thereof, as applicable) when the same shall become due and payable, Trustor shall, within ten (10) days after receipt of written demand therefor, deposit additional funds as may be necessary to pay such Taxes in full. If the funds so deposited exceed the amount required to pay such Taxes for any year, the excess shall be applied toward subsequent deposits. Said deposits need not be kept separate and apart from any other funds of Beneficiary. Beneficiary, in making any payment hereby authorized relating to Taxes, may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax, assessment, sale, forfeiture, tax lien or title or claim thereof.

5. **BENEFICIARY'S INTEREST IN AND USE OF DEPOSITS.** Upon an Event of Default, Beneficiary may, at its option, apply any monies at the time on deposit pursuant to *Section 4* hereof to cure an Event of Default or to pay any of the Indebtedness in such order and manner as Beneficiary may elect. If such deposits are used to cure an Event of Default or pay any of the Indebtedness, Trustor shall immediately, upon demand by Beneficiary, deposit with Beneficiary an amount equal to the amount expended by Trustor from the deposits. When the Indebtedness has been fully paid, any remaining deposits shall be returned to Trustor. Such deposits are hereby pledged as additional security for the Indebtedness and shall not be subject to the direction or control of Trustor. Beneficiary shall not be liable for any failure to apply to the payment of Taxes any amount so deposited unless Trustor, prior to an Event of Default, shall have requested Beneficiary in writing to make application of such funds to the payment of such amounts, accompanied by the bills for such Taxes. Beneficiary shall not be liable for any act or omission taken in good faith or pursuant to the instruction of any party.

6. **INSURANCE.**

(a) Trustor shall at all times keep all buildings, improvements, fixtures and articles of personal property now or hereafter situated on the Premises insured against loss or damage by fire and such other hazards as may reasonably be required by Beneficiary, in accordance with the terms, coverages and provisions reasonably acceptable to Beneficiary, and such other insurance as Beneficiary may from time to time reasonably require. Unless Trustor provides Beneficiary evidence of the insurance coverages required hereunder, Beneficiary may

purchase insurance at Trustor's expense to cover Beneficiary's interest in the Premises. The insurance may, but need not, protect Trustor's interest. The coverages that Beneficiary purchases may not pay any claim that Trustor makes or any claim that is made against Trustor in connection with the Premises. Trustor may later cancel any insurance purchased by Beneficiary, but only after providing Beneficiary with evidence that Trustor has obtained insurance as required by this Deed of Trust. If Beneficiary purchases insurance for the Premises, Trustor will be responsible for the costs of such insurance, including, without limitation, interest and any other charges which Beneficiary may impose in connection with the placement of the insurance, until the effective date of the cancellation or expiration of the insurance. The costs of the insurance may be added to the Indebtedness. The cost of the insurance may be more than the cost of insurance Trustor may be able to obtain on its own.

(b) Trustor shall not take out separate insurance concurrent in form or contributing in the event of loss with that required to be maintained hereunder unless Beneficiary is included thereon as the loss payee or an additional insured as applicable, under a standard mortgage clause acceptable to Beneficiary and such separate insurance is otherwise acceptable to Beneficiary.

(c) In the event of loss, Trustor shall give prompt notice thereof to Beneficiary, who, if such loss exceeds the lesser of ten percent (10.00%) of the Indebtedness or **ONE HUNDRED THOUSAND AND 00/100 DOLLARS (\$100,000.00)** (the "**Threshold**"), shall have the sole and absolute right to make proof of loss. If such loss exceeds the Threshold or if such loss is equal to or less than the Threshold and the conditions set forth in clauses (i), (ii), (iii) and (iv) of the immediately succeeding sentence are not satisfied, then Beneficiary, solely and directly shall receive such payment for loss from each insurance company concerned. If and only if (i) such loss is equal to or less than the Threshold, (ii) no Event of Default or event that with the passage of time, the giving of notice or both would constitute an Event of Default then exists, (iii) Beneficiary determines that the work required to complete the repair or restoration of the Premises necessitated by such loss can be completed no later than six (6) months prior to the Maturity Date, and (iv) the total of the insurance proceeds and such additional amounts placed on deposit with Beneficiary by Trustor for the specific purpose of rebuilding or restoring the Improvements equals or exceeds, in the sole and absolute discretion of Beneficiary, the reasonable costs of such rebuilding or restoration, then Beneficiary shall endorse to Trustor any such payment and Trustor may collect such payment directly. Beneficiary shall have the right, at its option and in its sole discretion, to apply any insurance proceeds received by Beneficiary pursuant to the terms of this section, after the payment of all of Beneficiary's expenses, either (A) on account of the Indebtedness, irrespective of whether such principal balance is then due and payable, whereupon Beneficiary may declare the whole of the balance of Indebtedness plus any prepayment premium set forth in the Note to be due and payable, or (B) to the restoration or repair of the property damaged as provided in subsection (d) below; provided, however, that Beneficiary hereby agrees to permit the application of such proceeds to the restoration or repair of the damaged property, subject to the provisions of subsection (d) below, if (x) Beneficiary has received satisfactory evidence that such restoration or repair shall be completed no later than the date that is six (6) months prior to the Maturity Date, and (y) no Event of Default, or event that with the passage of time, the giving of notice or both would constitute an Event of Default, then exists. If insurance proceeds are made available to Trustor by Beneficiary as hereinafter provided, Trustor shall repair, restore, or rebuild the damaged or destroyed portion

of the Premises so that the condition and value of the Premises are substantially the same as the condition and value of the Premises prior to being damaged or destroyed. Any insurance proceeds applied on account of the unpaid principal balance of the Note shall be subject to the prepayment premium described in the Note. In the event of foreclosure of this Deed of Trust, all right, title and interest of Trustor in and to any insurance policies then in force shall pass to the purchaser at the trustee's sale or the foreclosure sale, as the case may be.

(d) If insurance proceeds are made available by Beneficiary to Trustor, Trustor shall comply with the following conditions:

(i) Before commencing to repair, restore or rebuild following damage to, or destruction of, all or a portion of the Premises, whether by fire or other casualty, Trustor shall obtain from Beneficiary its approval of all site and building plans and specifications pertaining to such repair, restoration or rebuilding.

(ii) Prior to each payment or application of any insurance proceeds to the repair or restoration of the improvements upon the Premises to the extent permitted in subsection (c) above (which payment or application may be made, at Beneficiary's option, through an escrow, the terms and conditions of which are satisfactory to Beneficiary and the cost of which is to be borne by Trustor), Beneficiary shall be satisfied as to the following:

(A) no Event of Default or any event which, with the passage of time or giving of notice would constitute an Event of Default, has occurred;

(B) either such Improvements have been fully restored, or the expenditure of money as may be received from such insurance proceeds will be sufficient to repair, restore or rebuild the Premises, free and clear of all liens, claims and encumbrances, except the lien of this Deed of Trust and the Permitted Exceptions, or, if such insurance proceeds shall be insufficient to repair, restore and rebuild the Premises, Trustor has deposited with Beneficiary such amount of money which, together with the insurance proceeds shall be sufficient to restore, repair and rebuild the Premises; and

(C) prior to each disbursement of any such proceeds, Beneficiary shall be furnished with a statement of Beneficiary's architect (the cost of which shall be borne by Trustor), certifying the extent of the repair and restoration completed to the date thereof, and that such repairs, restoration, and rebuilding have been performed to date in conformity with the plans and specifications approved by Beneficiary and with all statutes, regulations or ordinances (including building and zoning ordinances) affecting the Premises; and Beneficiary shall be furnished with appropriate evidence of payment for labor or materials furnished to the Premises, total or partial lien waivers substantiating such payments, and title insurance endorsements in form satisfactory to Beneficiary, insuring the continuing first priority of this Deed of Trust, subject only to the Permitted Exceptions.

(iii) If Trustor shall fail to restore, repair or rebuild the Improvements within a time reasonably deemed satisfactory by Beneficiary, then Beneficiary, at its option, may (A) commence and perform all necessary acts to restore, repair or rebuild the said Improvements for or on behalf of Trustor, or (B) declare an Event of Default. If insurance proceeds shall exceed the amount necessary to complete the repair, restoration or rebuilding of the Improvements, such excess shall be applied on account of the Indebtedness irrespective of whether such Indebtedness is then due and payable without payment of any premium or penalty.

7. **CONDEMNATION.** If all or any part of the Premises are damaged, taken or acquired, either temporarily or permanently, in any condemnation proceeding, or by exercise of the right of eminent domain, the amount of any award or other payment for such taking or damages made in consideration thereof, to the extent of the full amount of the remaining unpaid Indebtedness, is hereby assigned to Beneficiary, who is empowered to collect and receive the same and to give proper receipts therefor in the name of Trustor and the same shall be paid forthwith to Beneficiary. Such award or monies shall be applied on account of the Indebtedness, irrespective of whether such Indebtedness is then due and payable and, at any time from and after the taking Beneficiary may declare the whole of the balance of the Indebtedness plus any prepayment premium to be due and payable. Notwithstanding the provisions of this section to the contrary, if any condemnation or taking of less than the entire Premises occurs and provided that no Event of Default and no event or circumstance which with the passage of time, the giving of notice or both would constitute an Event of Default then exists, and if such partial condemnation, in the reasonable discretion of Beneficiary, has no material adverse effect on the operation or value of the Premises, then the award or payment for such taking or consideration for damages resulting therefrom may be collected and received by Trustor, and Beneficiary hereby agrees that in such event it shall not declare the Indebtedness to be due and payable, if it is not otherwise then due and payable. Trustor hereby waives all rights of a property owner under the provisions of California Code of Civil Procedure Section 1265.225(a), or any successor statute, providing for the allocation of condemnation proceeds between a property owner and a lienholder.

8. **STAMP TAX.** If, by the laws of the United States of America, or of any state or political subdivision having jurisdiction over Trustor, any tax is due or becomes due in respect of the execution and delivery of this Deed of Trust, the Note or any of the other Loan Documents, Trustor shall pay such tax in the manner required by any such law. Trustor further agrees to reimburse Beneficiary for any sums which Beneficiary may expend by reason of the imposition of any such tax. Notwithstanding the foregoing, Trustor shall not be required to pay any income or franchise taxes of Beneficiary.

9. **LEASE ASSIGNMENT.** Trustor acknowledges that, concurrently herewith, Trustor has executed and delivered to Beneficiary, as additional security for the repayment of the Loan, an Assignment of Rents and Leases (the "**Assignment**") pursuant to which Trustor has assigned to Beneficiary interests in the Leases of the Premises and the rents and income from the Premises. All of the provisions of the Assignment are hereby incorporated herein as if fully set forth at length in the text of this Deed of Trust. Trustor agrees to abide by all of the provisions of the Assignment.

10. EFFECT OF EXTENSIONS OF TIME AND OTHER CHANGES. If the payment of the Indebtedness or any part thereof is extended or varied, if any part of any security for the payment of the Indebtedness is released, if the rate of interest charged under the Note is changed or if the time for payment thereof is extended or varied, all persons now or at any time hereafter liable therefor, or interested in the Premises or having an interest in Trustor, shall be held to assent to such extension, variation, release or change and their liability and the lien and all of the provisions hereof shall continue in full force, any right of recourse against all such persons being expressly reserved by Beneficiary, notwithstanding such extension, variation, release or change.

11. EFFECT OF CHANGES IN LAWS REGARDING TAXATION. If any law is enacted after the date hereof requiring (a) the deduction of any lien on the Premises from the value thereof for the purpose of taxation or (b) the imposition upon Beneficiary of the payment of the whole or any part of the Taxes, charges or liens herein required to be paid by Trustor, or (c) a change in the method of taxation of mortgages or debts secured by mortgages or Beneficiary's interest in the Premises, or the manner of collection of taxes, so as to affect this Deed of Trust or the Indebtedness or the holders thereof, then Trustor, upon demand by Beneficiary, shall pay such Taxes or charges, or reimburse Beneficiary therefor; provided, however, that Trustor shall not be deemed to be required to pay any income or franchise taxes of Beneficiary. Notwithstanding the foregoing, if in the opinion of counsel for Beneficiary it is or may be unlawful to require Trustor to make such payment or the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then Beneficiary may declare all of the Indebtedness to be immediately due and payable.

12. BENEFICIARY'S PERFORMANCE OF DEFAULTED ACTS AND EXPENSES INCURRED BY BENEFICIARY. If an Event of Default has occurred, Beneficiary may, but need not, make any payment or perform any act herein required of Trustor in any form and manner deemed expedient by Beneficiary, and may, but need not, make full or partial payments of principal or interest on prior encumbrances, if any, and purchase, discharge, compromise or settle any tax lien or other prior lien or title or claim thereof, or redeem from any tax sale or forfeiture affecting the Premises or consent to any tax or assessment or cure any default of Trustor in any Lease of the Premises. All monies paid for any of the purposes herein authorized and all expenses paid or incurred in connection therewith, including reasonable attorneys' fees, and any other monies advanced by Beneficiary in regard to any tax referred to in *Section 8* above or to protect the Premises or the lien hereof, shall be so much additional Indebtedness, and shall become immediately due and payable by Trustor to Beneficiary, upon demand, and with interest thereon accruing from the date of such demand until paid at the Default Rate (as defined in the Note). In addition to the foregoing, any costs, expenses and fees, including reasonable attorneys' fees, incurred by Beneficiary in connection with (a) sustaining the lien of this Deed of Trust or its priority, (b) protecting or enforcing any of Beneficiary's rights hereunder, (c) recovering any Indebtedness, (d) any litigation or proceedings affecting the Note, this Deed of Trust, any of the other Loan Documents or the Premises, including without limitation, bankruptcy and probate proceedings, or (e) preparing for the commencement, defense or participation in any threatened litigation or proceedings affecting the Note, this Deed of Trust, any of the other Loan Documents or the Premises, shall be so much additional Indebtedness, and shall become immediately due and payable by Trustor to Beneficiary, upon demand, and with interest thereon accruing from the date of such demand until paid at the Default Rate. The interest accruing under this section shall be immediately due and payable by Trustor to Beneficiary, and shall be additional Indebtedness

evidenced by the Note and secured by this Deed of Trust. Beneficiary's failure to act shall never be considered as a waiver of any right accruing to Beneficiary on account of any Event of Default. Should any amount paid out or advanced by Beneficiary hereunder, or pursuant to any agreement executed by Trustor in connection with the Loan, be used directly or indirectly to pay off, discharge or satisfy, in whole or in part, any lien or encumbrance upon the Premises or any part thereof, then Beneficiary shall be subrogated to any and all rights, equal or superior titles, liens and equities, owned or claimed by any owner or holder of said outstanding liens, charges and indebtedness, regardless of whether said liens, charges and indebtedness are acquired by assignment or have been released of record by the holder thereof upon payment.

13. SECURITY AGREEMENT. Trustor and Beneficiary agree that this Deed of Trust shall constitute a Security Agreement within the meaning of the Code with respect to (a) all sums at any time on deposit for the benefit of Trustor or held by the Beneficiary (whether deposited by or on behalf of Trustor or anyone else) pursuant to any of the provisions of this Deed of Trust or the other Loan Documents, and (b) with respect to any personal property included in the granting clauses of this Deed of Trust, which personal property may not be deemed to be affixed to the Premises or may not constitute a "fixture" (within the meaning of Section 9-102(41) of the Code) (which property is hereinafter referred to as "**Personal Property**"), and all replacements of, substitutions for, additions to, and the proceeds thereof, and the "supporting obligations" (as defined in the Code) (all of said Personal Property and the replacements, substitutions and additions thereto and the proceeds thereof being sometimes hereinafter collectively referred to as "**Collateral**"), and that a security interest in and to the Collateral is hereby granted to the Beneficiary, and the Collateral and all of Trustor's right, title and interest therein are hereby assigned to Beneficiary, all to secure payment of the Indebtedness. All of the provisions contained in this Deed of Trust pertain and apply to the Collateral as fully and to the same extent as to any other property comprising the Premises; and the following provisions of this Paragraph shall not limit the applicability of any other provision of this Deed of Trust but shall be in addition thereto:

(a) Trustor (being the Debtor as that term is used in the Code) is and will be the true and lawful owner of the Collateral and has rights in and the power to transfer the Collateral, subject to no liens, charges or encumbrances other than the lien hereof, other liens and encumbrances benefiting Beneficiary and no other party, and liens and encumbrances, if any, expressly permitted by the other Loan Documents.

(b) The Collateral is to be used by Trustor solely for business purposes.

(c) The Collateral will be kept at the Real Estate and, except for Obsolete Collateral (as hereinafter defined), will not be removed therefrom without the consent of Beneficiary (being the Secured Party as that term is used in the Code). The Collateral may be affixed to the Real Estate but will not be affixed to any other real estate.

(d) The only persons having any interest in the Premises are Trustor, Beneficiary and holders of interests, if any, expressly permitted hereby.

(e) No Financing Statement (other than Financing Statements showing Beneficiary as the sole secured party, or with respect to liens or encumbrances, if any, expressly

permitted hereby) covering any of the Collateral or any proceeds thereof is on file in any public office except pursuant hereto; and Trustor, at its own cost and expense, upon demand, will furnish to Beneficiary such further information and will execute and deliver to Beneficiary such financing statements and other documents in form satisfactory to Beneficiary and will do all such acts as Beneficiary may request at any time or from time to time or as may be necessary or appropriate to establish and maintain a perfected security interest in the Collateral as security for the Indebtedness, subject to no other liens or encumbrances, other than liens or encumbrances benefiting Beneficiary and no other party and liens and encumbrances (if any) expressly permitted hereby; and Trustor will pay the cost of filing or recording such financing statements or other documents, and this instrument, in all public offices wherever filing or recording is deemed by Beneficiary to be desirable. Trustor hereby irrevocably authorizes Beneficiary at any time, and from time to time, to file in any jurisdiction any initial financing statements and amendments thereto that (i) indicate the Collateral as all assets of Trustor (or words of similar effect), regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed, or as being of an equal or lesser scope or within greater detail, and (ii) contain any other information required by Section 5 of Article 9 of the Uniform Commercial Code of the jurisdiction wherein such financing statement or amendment is filed regarding the sufficiency or filing office acceptance of any financing statement or amendment, including whether Trustor is an organization, the type of organization and any organizational identification number issued to Trustor, and in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of real property to which the Collateral relates. Trustor agrees to furnish any such information to Beneficiary promptly upon request. Trustor further ratifies and affirms its authorization for any financing statements and/or amendments thereto, executed and filed by Beneficiary in any jurisdiction prior to the date of this Deed of Trust.

(f) Upon an Event of Default hereunder, Beneficiary shall have the remedies of a secured party under the Code, including, without limitation, the right to take immediate and exclusive possession of the Collateral, or any part thereof, and for that purpose, so far as Trustor can give authority therefor, with or without judicial process, may enter (if this can be done without breach of the peace) upon any place which the Collateral or any part thereof may be situated and remove the same therefrom (provided that if the Collateral is affixed to real estate, such removal shall be subject to the conditions stated in the Code); and Beneficiary shall be entitled to hold, maintain, preserve and prepare the Collateral for sale, until disposed of, or may propose to retain the Collateral subject to Trustor's right of redemption in satisfaction of Trustor's obligations, as provided in the Code. Beneficiary may render the Collateral unusable without removal and may dispose of the Collateral on the Premises. Beneficiary may require Trustor to assemble the Collateral and make it available to Beneficiary for its possession at a place to be designated by Beneficiary which is reasonably convenient to both parties. Beneficiary will give Trustor at least ten (10) days' notice of the time and place of any public sale of the Collateral or of the time after which any private sale or any other intended disposition thereof is made. The requirements of reasonable notice shall be met if such notice is mailed, by certified United States mail or equivalent, postage prepaid, to the address of Trustor hereinafter set forth at least ten (10) days before the time of the sale or disposition. Beneficiary may buy at any public sale. Beneficiary may buy at private sale if the Collateral is of a type customarily sold in a recognized market or is of a type which is the subject of widely distributed

standard price quotations. Any such sale may be held in conjunction with any foreclosure sale of the Premises. If Beneficiary so elects, the Premises and the Collateral may be sold as one lot. The net proceeds realized upon any such disposition, after deduction for the expenses of retaking, holding, preparing for sale, selling and the reasonable attorneys' fees and legal expenses incurred by Beneficiary, shall be applied against the Indebtedness in such order or manner as Beneficiary shall select. Beneficiary will account to Trustor for any surplus realized on such disposition.

(g) The terms and provisions contained in this Paragraph 13, unless the context otherwise requires, shall have the meanings and be construed as provided in the Code.

(h) This Deed of Trust is intended to be a financing statement within the purview of Section 9-502(c) of the Code with respect to the Collateral and the goods described herein, which goods are or may become fixtures relating to the Premises. The addresses of Trustor (Debtor) and Beneficiary (Secured Party) are hereinbelow set forth. This Deed of Trust is to be filed for recording in the Official Records of the county or counties where the Premises are located.

(i) To the extent permitted by applicable law, the security interest created hereby is specifically intended to cover all Leases between Trustor or its agents as lessor, and various tenants named therein, as lessee, including all extended terms and all extensions and renewals of the terms thereof, as well as any amendments to or replacement of said Leases, together with all of the right, title and interest of Trustor, as lessor thereunder.

(j) Trustor represents and warrants that:

- (i) Trustor is the record owner of the Premises;
- (ii) Trustor's chief executive office is located in the State of Utah;
- (iii) Trustor's state of incorporation/formation/organization is the State of Utah;
- (iv) Trustor's exact legal name is as set forth in the first paragraph of this Deed of Trust; and
- (v) Trustor's organizational number is 7986268-0160.

(k) Trustor agrees that:

(i) Where Collateral is in possession of a third party, Trustor will join with the Beneficiary in notifying the third party of the Beneficiary's interest and obtaining an acknowledgment from the third party that it is holding the Collateral for the benefit of Beneficiary;

(ii) Trustor will cooperate with the Beneficiary in obtaining control with respect to Collateral consisting of: deposit accounts, investment property, letter of credit rights and electronic chattel paper; and

(iii) Until the Indebtedness is paid in full, Trustor will not change the state where it is located or change its company name without giving the Beneficiary at least 30 days' prior written notice in each instance.

(l) In addition to Beneficiary's rights under the Code, Beneficiary may, but shall not be obligated to, at any time and at the expense of Trustor (i) give notice to any person of Beneficiary's rights hereunder and enforce such rights; (ii) insure, protect, defend and preserve the Collateral and any rights or interests of Beneficiary therein; (iii) inspect such Collateral; and (iv) endorse, collect and receive any right to payment of money owing to Trustor under or from such Collateral. Beneficiary shall have no duty or obligation to make or give any presentments, demands for performance, notices of non-performance, notices of protest or notices of dishonor in connection with any of such Collateral.

(m) Trustor and Beneficiary agree that the filing of a financing statement in the records normally having to do with personal property shall never be construed as in any way derogating from or impairing this Deed of Trust and the intention of the parties that everything used in connection with the production of income from the Premises or adapted for use therein or which is described or reflected in this Deed of Trust is, and at all times and for all purposes and in all proceedings both legal or equitable shall be regarded as, part of the real estate subject to the lien hereof, irrespective of whether (i) any such item is physically attached to improvements located on such real property or (ii) any such item is referred to or reflected in any financing statement so filed at any time. Similarly, the mention in any such financing statement of (A) the rights in or the proceeds of any fire or hazard insurance policy or (B) any award in eminent domain proceedings for taking or for loss of value or for any cause of action or proceeds thereof in connection with any damage or injury to the Premises or any part thereof shall never be construed as in any way altering any of the rights of Beneficiary as determined by this instrument or impugning the priority of Beneficiary's lien granted hereby or by any other recorded document, but such mention in such financing statement is declared to be for the protection of Beneficiary in the event any court shall at any time hold with respect to matters (A) and (B) above that notice of Beneficiary's priority of interest, to be effective against a particular class of persons, including, without limitation, the Federal government and any subdivision or entity of the Federal government, must be filed in the personal property records or other commercial code records.

(n) It is understood and agreed that, in order to protect Beneficiary from the effect of Code Section 9-334, as amended from time to time, in the event that (i) Trustor intends to purchase any goods which may become fixtures to the Real Estate or Improvements, or any part thereof, and (ii) such goods will be subject to a security interest held by a seller or any other party, Trustor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Beneficiary, and all requests for such written approval shall be in writing and contain the following information:

- (i) A description of the fixtures to be replaced, added to installed or substituted;
- (ii) The address at which the fixtures will be replaced, added to, installed or substituted; and

(iii) The name and address of the proposed holder and proposed amount of the security interest;

and any failure of Trustor to obtain such approval shall be a material breach of Trustor's covenants under this Deed of Trust, and shall, at the option of Beneficiary, entitle Beneficiary to all rights and remedies provided for herein upon default. No consent by Beneficiary pursuant to this section shall be deemed to constitute an agreement to subordinate any right of Beneficiary in fixtures or other property covered by this Deed of Trust.

(o) Beneficiary shall have the right to acquire by assignment from the holder of such security interest any and all contract rights, accounts receivable, negotiable or non-negotiable instruments or other evidence of Trustor's indebtedness for such personal property or fixtures and, upon acquiring such interest by assignment, shall have the right to enforce the security interest as assignee thereof in accordance with the terms and provisions of the Code then in effect and in accordance with any other provisions of law.

(p) If at any time Trustor fails to make any payment on an obligation secured by a security interest in such personal property or fixtures, Beneficiary, at its option, may at any time pay the amount secured by such security interest and the amount so paid shall be (i) secured by this Deed of Trust and shall be a lien on the Premises having the same priorities as the liens and security interests created by this Deed of Trust, and (ii) payable on demand with interest at the rate specified in the Note from the time of such payment. If Trustor shall fail to make such payment to Beneficiary within ten (10) days after demand, the entire principal sum secured thereby with all unpaid accrued interest and late charges or other amounts owing thereunder, shall, at the option of Beneficiary, become due and payable immediately.

14. ***RESTRICTIONS ON TRANSFER.***

(a) Trustor, without the prior written consent of Beneficiary, shall not effect, suffer, or permit any Prohibited Transfer (as defined herein). Any conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest or other encumbrance or alienation (or any agreement to do any of the foregoing) of any of the following properties or interests shall constitute a "***Prohibited Transfer***":

(i) the Premises or any part thereof or interest therein, excepting only sales or other dispositions of Collateral ("***Obsolete Collateral***") no longer useful in connection with the operation of the Premises, provided that prior to the sale or other disposition thereof, such Obsolete Collateral has been replaced by Collateral of at least equal value and utility which is subject to the lien hereof with the same priority as with respect to the Obsolete Collateral;

(ii) any shares of capital stock of a corporate Trustor, a corporation which is a general partner in a partnership Trustor or a managing member or manager in a limited liability company Trustor, or a corporation which is the owner of substantially all of the capital stock of any corporation described in this subsection (other than the shares of capital stock of a corporate trustee or a corporation whose stock is publicly traded on a

national securities exchange or on the National Association of Securities Dealers' Automated Quotation System);

(iii) all or any part of the managing member or manager interest, as the case may be, in a limited liability company Trustor or a limited liability company which is a general partner of a partnership Trustor or a manager or managing member of a limited liability company Trustor;

(iv) all or any part of the general partner or joint venture interest, as the case may be, of a partnership Trustor or a partnership which is a manager or managing member of a limited liability company Trustor or the conversion of a partnership Trustor to a corporation or limited liability company; or

(v) if there shall be any change in control (by way of transfers of stock, partnership or member interests or otherwise) of Trustor or any partner, member, manager or shareholder, as applicable, which directly or indirectly controls the day to day operations and management of Trustor and/or owns a controlling interest in Trustor;

in each case whether any such conveyance, sale, assignment, transfer, lien, pledge, mortgage, security interest, encumbrance or alienation is effected directly, indirectly (including the nominee agreement), voluntarily or involuntarily, by operation of law or otherwise; provided, however, that the foregoing provisions of this section shall not apply (i) to liens securing the Indebtedness, (ii) to the lien of current taxes and assessments not in default, (iii) to any transfers of the Premises, or part thereof, or interest therein, or any beneficial interests, or shares of stock or partnership or joint venture interests, as the case may be, by or on behalf of an owner thereof who is deceased or declared judicially incompetent, to such owner's heirs, legatees, devisees, executors, administrators, estate or personal representatives, or (iv) to Leases permitted by the terms of the Loan Documents, if any.

(b) In determining whether or not to make the Loan, Beneficiary evaluated the background and experience of Trustor and its managers in owning and operating property such as the Premises, found it acceptable and relied and continues to rely upon same as the means of maintaining the value of the Premises which is Beneficiary's security for the Note. Trustor and its managers are well experienced in borrowing money and owning and operating property such as the Premises, were ably represented by a licensed attorney at law in the negotiation and documentation of the Loan and bargained at arm's length and without duress of any kind for all of the terms and conditions of the Loan, including this provision. Trustor recognizes that Beneficiary is entitled to keep its loan portfolio at current interest rates by either making new loans at such rates or collecting assumption fees and/or increasing the interest rate on a loan, the security for which is purchased by a party other than the original Trustor. Trustor further recognizes that any secondary junior financing placed upon the Premises (i) may divert funds which would otherwise be used to pay the Note; (ii) could result in acceleration and foreclosure by any such junior encumbrancer which would force Beneficiary to take measures and incur expenses to protect its security; (iii) would detract from the value of the Premises should Beneficiary come into possession thereof with the intention of selling same; and (iv) would impair Beneficiary's right to accept a deed in lieu of foreclosure, as a foreclosure by Beneficiary would be necessary to clear the title to the Premises. In accordance with the

foregoing and for the purposes of (A) protecting Beneficiary's security, both of repayment and of value of the Premises; (B) giving Beneficiary the full benefit of its bargain and contract with Trustor; (C) allowing Beneficiary to raise the interest rate and collect assumption fees; and (D) keeping the Premises free of subordinate financing liens, Trustor agrees that if this section is deemed a restraint on alienation, that it is a reasonable one.

15. EVENTS OF DEFAULT; ACCELERATION. Each of the following shall constitute an "*Event of Default*" for purposes of this Deed of Trust:

(a) Trustor fails to pay (i) any installment of principal or interest payable pursuant to the Note on the date when due, or (ii) any other amount payable to Beneficiary under the Note, this Deed of Trust or any of the other Loan Documents within five (5) days after the date when any such payment is due in accordance with the terms hereof or thereof;

(b) Trustor fails to perform or cause to be performed any other obligation or observe any other condition, covenant, term, agreement or provision required to be performed or observed by Trustor under the Note, this Deed of Trust or any of the other Loan Documents; provided, however, that if such failure by its nature can be cured, then so long as the continued operation and safety of the Premises, and the priority, validity and enforceability of the liens created by the Deed of Trust or any of the other Loan Documents and the value of the Premises are not impaired, threatened or jeopardized, then Trustor shall have a period ("*Cure Period*") of thirty (30) days after Trustor obtains actual knowledge of such failure or receives written notice of such failure to cure the same and an Event of Default shall not be deemed to exist during the Cure Period, provided further that if Trustor commences to cure such failure during the Cure Period and is diligently and in good faith attempting to effect such cure, the Cure Period shall be extended for thirty (30) additional days, but in no event shall the Cure Period be longer than ninety (90) days in the aggregate;

(c) the existence of any inaccuracy or untruth in any material respect in any representation or warranty contained in this Deed of Trust or any of the other Loan Documents or of any statement or certification as to facts delivered to Beneficiary by Trustor or any guarantor of the Note;

(d) Trustor or any guarantor of the Note files a voluntary petition in bankruptcy or is adjudicated a bankrupt or insolvent or files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the present or any future federal, state, or other statute or law, or seeks or consents to or acquiesces in the appointment of any trustee, receiver or similar officer of Trustor or of all or any substantial part of the property of Trustor or any guarantor of the Note or any of the Premises or all or a substantial part of the assets of Trustor or any guarantor of the Note are attached, seized, subjected to a writ or distress warrant or are levied upon unless the same is released or located within thirty (30) days;

(e) the commencement of any involuntary petition in bankruptcy against Trustor or any guarantor of the Note or the institution against Trustor or any guarantor of the Note of any reorganization, arrangement, composition, readjustment, dissolution, liquidation or similar proceedings under any present or future federal, state or other statute or law, or the

appointment of a receiver, trustee or similar officer for all or any substantial part of the property of Trustor or any guarantor of the Note which shall remain undismissed or undischarged for a period of sixty (60) days;

(f) the dissolution, termination or merger of Trustor or any guarantor of the Note or the occurrence of the death or declaration of legal incompetency of any individual guarantor of the Note;

(g) the occurrence of a Prohibited Transfer; or

(h) the occurrence of an "Event of Default" under the Loan Agreement, the Note, or any of the other Loan Documents; or

(i) the occurrence of any default or event of default, after the expiration of any applicable periods of notice or cure, under any document or agreement evidencing or securing any other obligation or indebtedness of Trustor to Beneficiary or of a "Related Borrower" (defined below) to Beneficiary. For purposes hereof, a "**Related Borrower**" shall mean any person or entity that controls, is controlled by or is under common control with Trustor, or which owns, directly or indirectly, twenty-five percent (25%) or more of Trustor.

If an Event of Default occurs, Beneficiary may, at its option, declare the whole of the Indebtedness to be immediately due and payable without further notice to Trustor, with interest thereon accruing from the date of such Event of Default until paid at the Default Rate.

16. REMEDIES AND APPLICATION OF PROCEEDS. Upon the occurrence of an Event of Default, Beneficiary may at any time, at its option and in its sole discretion, declare all Indebtedness to be due and payable and the same shall thereupon become immediately due and payable under the terms of the Indebtedness, with interest accruing thereon from the date of the Event of Default until paid, at the Default Rate. In addition to exercising any other remedy available at law, in equity and/or under the other Loan Documents, Beneficiary may also do any or all of the following, concurrently or otherwise, at such time and in such order as Beneficiary may determine, in its sole discretion, although it shall have no obligation to do any of the following:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of Beneficiary's security, enter without process of law upon and take possession of the Premises, or any part thereof, and do any acts which Beneficiary deems necessary or desirable to preserve the value, marketability or rentability of the Premises, or to increase the income therefrom or to protect the security hereof and, with or without taking possession of any of the Premises, sue for or otherwise collect all rents and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees and expenses, upon the Indebtedness, all in such order as Beneficiary may determine. The collection of rents and profits and the application thereof shall not cure or waive any Event of Default or notice thereof or invalidate any act done in response thereto or pursuant to such notice. In furtherance of the foregoing, to the fullest extent permitted by applicable law, following the occurrence of an Event of Default and during the continuance thereof, Beneficiary

shall have the right to apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Premises as a matter of strict right and without regard to the value of the Premises or the adequacy of the security for the Indebtedness, the existence of a declaration that the Indebtedness are immediately due and payable, or the filing of a notice of default, and Trustor hereby consents to such appointment.

(b) Bring an action in any court of competent jurisdiction to foreclose this instrument or to enforce any of the covenants hereof.

(c) Elect to sell by power of sale the Real Estate and such other property which is Real Estate and Improvements or which Beneficiary has elected to treat as Real Estate and Improvements and, upon such election, such notice of Event of Default and election to sell shall be given as may then be required by law. Thereafter, upon the expiration of such time and the giving of such notice of sale as may then be required by law, at the time and place specified in the notice of sale, Trustee shall sell such Premises, or any portion thereof specified by Beneficiary, at public auction to the highest bidder for cash in lawful money of the United States. Trustee may, and upon request of Beneficiary shall, from time to time, postpone the sale by public announcement thereof at the time and place noticed therefor. If the Premises consists of several lots, parcels or interests, Beneficiary may designate the order in which the same shall be offered for sale or sold. Trustor waives all rights to direct the order in which any of the Premises will be sold in the event of any sale under this Deed of Trust, and also any of right to have any of the Premises marshaled upon any sale. In the case of a sale under this Deed of Trust, the said property, real, personal and mixed, may be sold in one parcel or more than one parcel. Should Beneficiary desire that more than one such sale or other disposition be conducted, Beneficiary may, at its option, cause the same to be conducted simultaneously, or successively on the same day, or at such different days or times and in such order as Beneficiary may deem to be in its best interest. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Upon any sale, Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the Premises so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession. Beneficiary, from time to time before the trustee's sale pursuant to this section, may rescind any notice of Event of Default and of election to cause to be sold the Premises by executing and delivering to Trustee a written notice of such rescission, which notice, shall also constitute a cancellation of any prior Event of Default and demand for sale. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other declarations of default and demand for sale, and notices of breach or default, nor otherwise affect any provision, covenant or condition of the Note, the Loan Agreement and/or of this Deed of Trust or any of the rights, obligations or remedies of the parties thereunder or hereunder.

(d) To the extent applicable, in addition to any other remedies available to Beneficiary, Beneficiary may seek a judgment that Trustor has breached any of the covenants, representations, or warranties in this Deed of Trust or any other Loan Documents that are deemed to be environmental provisions pursuant to California Code of Civil Procedure Section 736 (each an "*Environmental Provision*"), by commencing and maintaining an action or actions in any court of competent jurisdiction pursuant to California Code of Civil Procedure

Section 736, whether commenced prior to or after foreclosure of the lien of this Deed of Trust or exercise by Beneficiary of the power of sale. Beneficiary or its agents, representatives, and employees may also seek an injunction to cause Trustor to abate any action in violation of any Environmental Provision and may seek the recovery of all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred or advanced by Beneficiary (collectively, "**Environmental Costs**") relating to the cleanup, remedy, or other response action required by any Environmental Law (defined herein), or any Hazardous Substance Claim (as hereinafter defined), or which Beneficiary believes necessary to protect the Premises. It will be conclusively presumed between Beneficiary and Trustor that all Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remedy, or other response action of or to the Premises were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including, but not limited to, court costs, consultant fees, and reasonable attorneys' fees, whether incurred in litigation and whether before or after judgment) shall bear interest at the Default Rate from the date of demand until they have been paid in full. Beneficiary shall be entitled to bid, at any trustee's or foreclosure sale of the Premises, the amount of the Environmental Costs, and interest in addition to the amount of other indebtedness. As used herein, the term "**Hazardous Substance Claim**" means any enforcement, cleanup, removal, remedial or other governmental, regulatory or private actions, agreements or orders threatened or instituted pursuant to any Environmental Law, together with all claims made or threatened by any third party against Trustor or the Premises relating to damage, contribution, cost-recovery compensation, loss or injury resulting from the presence, Release or discharge of any Hazardous Substance. "**Environmental Law(s)**" means any and all federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), requirements under permits or other authorizations issued with respect thereto, and other orders, decrees, judgments, directives or other requirements of any governmental authority relating to or imposing liability or standards of conduct (including disclosure or notification) concerning protection of human health or the environment or Hazardous Substances or any activity involving Hazardous Substances (defined herein), all as previously and in the future to be amended. "**Hazardous Substance**" means, but is not limited to, any substance, chemical, material or waste (A) the presence of which causes a nuisance or trespass of any kind; (B) which is regulated by any federal, state or local governmental authority because of its toxic, flammable, corrosive, reactive, carcinogenic, mutagenic, infectious, radioactive, or other hazardous property or because of its effect on the environment, natural resources or human health and safety, including, but not limited to, petroleum and petroleum products, asbestos-containing materials, polychlorinated biphenyls, lead and lead-based paint, radon, radioactive materials, flammables and explosives; or (C) which is designated, classified, or regulated as being a hazardous or toxic substance, material, pollutant, waste (or a similar such designation) under any federal, state or local law, regulation or ordinance, including under any Environmental Law including, without limitation, the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §§6901 et seq.), the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. §9601 et seq.), as amended by the Superfund Amendments and Reauthorization Act of 1986, the Federal Water Pollution Control Act, 33 U.S.C. §§7401, et seq., the Toxic Substance Control Act, 15 U.S.C. §§2601-2629, the Safe Drinking Water Act, 42 U.S.C. §§300f-300j, the Emergency Planning and Community Right-to-Know Act (42

U.S.C. §11001 et seq.), the Hazardous Substances Transportation Act (49 U.S.C. §1801 et seq.), or the Clean Air Act (42 U.S.C. §7401 et seq.).

(e) Beneficiary or its agents, representatives, and employees may waive its lien against the Premises or any portion of it, including the improvements and the personal property, to the extent that the Premises is found to be environmentally impaired in accordance with California Code of Civil Procedure Section 726.5, and to exercise all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order under California Code of Civil Procedure Section 483.010. No such waiver shall be final or binding on Beneficiary unless and until a final money judgment is obtained against Trustor. As between Beneficiary and Trustor, for purposes of California Code of Civil Procedure Section 726.5, Trustor will have the burden of proving that the release or threatened release was not knowingly or negligently caused or contributed to, or knowingly or willfully permitted or acquiesced to by Trustor or any related party (or any affiliate or agent of Trustor or any related party) and that Trustor made written disclosure thereof to Beneficiary or that Beneficiary otherwise obtained actual knowledge thereof prior to the making of the loan evidenced by the Note. Notwithstanding anything to the contrary contained in the Deed of Trust or any of the Loan Documents, Trustor shall be fully and personally liable for all judgments and awards entered against Trustor pursuant to California Code of Civil Procedure Section 726.5 and such liability shall not be limited by the original principal amount of the obligations secured by this Deed of Trust. Trustor's obligations hereunder shall survive the foreclosure, deed of lieu of foreclosure, release, reconveyance or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this section, Trustor hereby waives the defense of laches and any applicable statute of limitations. For purposes of California Code of Civil Procedure Section 726.5, the acts, knowledge and notice of each "726.5 Party" shall be attributed to and be deemed to have been performed by the party or parties then obligated on or liable for payment of the Note. As used herein, "726.5 Party" shall mean Trustor, any partner thereof, any successor owner to Trustor of all or any portion of the Premises, any related party of Trustor or any such successor and any affiliate or agent of Trustor, any such successor or any such related party.

(f) Apply any sums then held in escrow or otherwise by Beneficiary in accordance with the terms of this Deed of Trust or any other Loan Document to the payment of the Indebtedness.

(g) Exercise all rights available to Trustor under the Code.

(h) Exercise each of its other rights and remedies under this Deed of Trust or any other Loan Documents.

(i) Except as otherwise required by law, apply the proceeds of any foreclosure or disposition hereunder to payment of the following: (i) the expenses of such foreclosure or disposition, including, without limitation, the fees of Trustee and the costs of the Tests and Studies, (ii) the cost of any search or other evidence of title procured in connection therewith and revenue stamps on any deed or conveyance, (iii) all sums expended under the terms hereof, not then repaid, with accrued interest in the amount provided herein, (iv) all other

sums secured hereby, and (v) the remainder, if any, to the person or persons legally entitled thereto.

(j) Upon any sale or sales made under or by virtue of this section, whether made under the power of sale or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Beneficiary may bid for and acquire the Premises or any part thereof. In lieu of paying cash for the Premises, Beneficiary may make settlement for the purchase price by crediting against the Indebtedness the sales price of the Premises, as adjusted for the expenses of sale and the costs of the action and any other sums for which Trustor is obligated to reimburse Trustee or Beneficiary under this Deed of Trust.

(k) In the event that Trustor has an equity of redemption and the Premises is sold pursuant to the power of sale or otherwise under or by virtue of this paragraph, the purchaser may, during any redemption period allowed, make such repairs or alterations (but not additions) on said Premises as may be reasonably necessary for the proper operation, care, preservation, protection and insuring thereof. Any sums so paid together with interest thereon from the time of such expenditures at the Default Rate (if not prohibited by law, otherwise at the highest lawful contract rate) shall be added to and become a part of the amount required to be paid for redemption from such sale.

17. BENEFICIARY'S RIGHT OF POSSESSION IN CASE OF DEFAULT. At any time after an Event of Default has occurred, Trustor shall, upon demand of Beneficiary, surrender to Beneficiary possession of the Premises. Beneficiary, in its discretion, may, with process of law, enter upon and take and maintain possession of all or any part of the Premises, together with all documents, books, records, papers and accounts relating thereto, and may exclude Trustor and its employees, agents or servants therefrom, and Beneficiary may then hold, operate, manage and control the Premises, either personally or by its agents. Beneficiary shall have full power to use such measures, legal or equitable, as in its discretion may be deemed proper or necessary to enforce the payment or security of the avails, rents, issues, and profits of the Premises, including actions for the recovery of rent, actions in forcible detainer and actions in distress for rent. Without limiting the generality of the foregoing, Beneficiary shall have full power to:

(a) cancel or terminate any lease or sublease for any cause or on any ground which would entitle Trustor to cancel the same;

(b) elect to disaffirm any lease or sublease which is then subordinate to the lien hereof;

(c) extend or modify any then existing leases and to enter into new leases, which extensions, modifications and leases may provide for terms to expire, or for options to lessees to extend or renew terms to expire, beyond the Maturity Date and beyond the date of the issuance of a deed or deeds to a purchaser or purchasers at a foreclosure sale, it being understood and agreed that any such leases, and the options or other such provisions to be contained therein, shall be binding upon Trustor and all persons whose interests in the Premises are subject to the lien hereof and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of the Indebtedness, satisfaction of any foreclosure judgment, or issuance of any certificate of sale or deed to any purchaser;

(d) make any repairs, renewals, replacements, alterations, additions, betterments and improvements to the Premises as Beneficiary deems are necessary;

(e) insure and reinsure the Premises and all risks incidental to Beneficiary's possession, operation and management thereof; and

(f) receive all of such avails, rents, issues and profits.

18. APPLICATION OF INCOME RECEIVED BY BENEFICIARY. To the extent permitted by applicable law, Beneficiary, in the exercise of the rights and powers hereinabove conferred upon it, shall have full power to use and apply the avails, rents, issues and profits of the Premises to the payment of or on account of the following, in such order as Beneficiary may determine:

(a) to the payment of the operating expenses of the Premises, including cost of management and leasing thereof (which shall include compensation to Beneficiary and its agent or agents, if management be delegated to an agent or agents, and shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into Leases), established claims for damages, if any, and premiums on insurance hereinabove authorized;

(b) to the payment of taxes and special assessments now due or which may hereafter become due on the Premises; and

(c) to the payment of any Indebtedness, including any deficiency which may result from any foreclosure sale.

19. RIGHTS CUMULATIVE. Each right, power and remedy herein conferred upon Beneficiary is cumulative and in addition to every other right, power or remedy, express or implied, given now or hereafter existing under any of the Loan Documents or at law or in equity, and each and every right, power and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by Beneficiary, and the exercise or the beginning of the exercise of one right, power or remedy shall not be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy, and no delay or omission of Beneficiary in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any Event of Default or acquiescence therein.

20. BENEFICIARY'S RIGHT OF INSPECTION. In addition to Beneficiary's rights under *Section 32* hereof, Beneficiary and its representatives shall have the right to inspect the Premises and the books and records with respect thereto at all reasonable times upon not less than twenty-four (24) hours prior notice to Trustor, and access thereto, subject to the rights of tenants in possession, shall be permitted for that purpose.

21. RELEASE UPON PAYMENT AND DISCHARGE OF TRUSTOR'S OBLIGATIONS. Beneficiary shall release this Deed of Trust and the lien hereof by proper instrument upon payment and discharge of all Indebtedness, including payment of all reasonable expenses incurred by Beneficiary in connection with the execution of such release.

22. NOTICES. Any notices, communications and waivers under this Deed of Trust shall be in writing and shall be (a) delivered in person, (b) mailed, postage prepaid, either by registered or certified mail, return receipt requested, or (c) sent by overnight express carrier, addressed in each case as follows:

To Beneficiary: EAGLE GROUP FINANCE, L.P.
12100 Wilshire Boulevard, Suite 520
Los Angeles, California 90025
Attention: Brian Good

With a copy to: MUCH *SHELIST*
191 North Wacker Drive, Suite 1800
Chicago, Illinois 60606
Attention: Glenn D. Taxman

and

MUCH *SHELIST*
2 Park Plaza, Suite 1075
Irvine, California 92614
Attention: Glenn D. Taxman

To Trustor: EFALLS PROPERTIES ELK GROVE CA LLC
9067 South 1300 West
Suite 301
West Jordan, Utah 84088
Attention: John Neubauer

With copy to: COHEN & DURRETT
2100 Northrop Avenue, Suite 900
Sacramento, California 95825
Attention: Dave Durrett

or to any other address as to any of the parties hereto, as such party shall designate in a written notice to the other party hereto. All notices sent pursuant to the terms of this section shall be deemed received when actually delivered or when delivery is refused by the addressee, as the case may be.

23. WAIVER OF RIGHTS. Trustor hereby covenants and agrees that it will not at any time insist upon or plead, or in any manner claim or take any advantage of, any stay, exemption or extension law or any so-called "Moratorium Law" now or at any time hereafter in force providing for the valuation or appraisal of the Premises, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provisions herein contained, or to decree, judgment or order of any court of competent jurisdiction; or, after such sale or sales, claim or exercise any rights under any statute now or hereafter in force to redeem the property so sold, or any part thereof, or relating to the marshalling thereof, upon foreclosure sale or other enforcement hereof; and without limiting the foregoing:

(a) Trustor hereby expressly waives any and all rights of reinstatement and redemption, if any, under any order or decree of foreclosure of this Deed of Trust, on its own behalf and on behalf of each and every person, it being the intent hereof that any and all such rights of reinstatement and redemption of Trustor and of all other persons are and shall be deemed to be hereby waived;

(b) Trustor will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any right, power remedy herein or otherwise granted or delegated to Beneficiary but will suffer and permit the execution of every such right, power and remedy as though no such law or laws had been made or enacted;

(c) if Trustor is a trustee, Trustor represents that the provisions of this section (including the waiver of reinstatement and redemption rights) were made at the express direction of Trustor's beneficiaries and the persons having the power of direction over Trustor, and are made on behalf of the trust estate of Trustor and all beneficiaries of Trustor, as well as all other persons mentioned above; and

(d) to the full extent Trustor may do so, Trustor agrees that Trustor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, and Trustor, for Trustor, Trustor's heirs, devisees, representatives, successors and assigns, and for any and all persons ever claiming any interest in the Premises, to the extent permitted by applicable law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Trustor, including the Premises, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Trustor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right of Beneficiary under the terms of this Deed of Trust to a sale of the Premises for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Beneficiary under the terms of this Deed of Trust to the payment of the secured indebtedness out of the proceeds of sale of the Premises in preference to every other claimant whatever.

24. **CONTESTS.** Notwithstanding anything to the contrary herein contained, Trustor shall have the right to contest by appropriate legal proceedings diligently prosecuted any Taxes imposed or assessed upon the Premises or which may be or become a lien thereon and any mechanics', materialmen's or other liens or claims for lien upon the Premises (each, a "**Contested Lien**"), and no Contested Lien shall constitute an Event of Default hereunder, if, but only if:

(a) Trustor shall forthwith give notice of any Contested Lien to Beneficiary at the time the same shall be asserted;

(b) Trustor shall either pay under protest, post a bond or deposit with Beneficiary the full amount (the "*Lien Amount*") of such Contested Lien, together with such amount as Beneficiary may reasonably estimate as interest or penalties which might arise during the period of contest; provided that in lieu of such payment Trustor may furnish to Beneficiary a bond or title indemnity in such amount and form, and issued by a bond or title insuring company, as may be satisfactory to Beneficiary;

(c) Trustor shall diligently prosecute the contest of any Contested Lien by appropriate legal proceedings having the effect of staying the foreclosure or forfeiture of the Premises, and shall permit Beneficiary to be represented in any such contest and shall pay all expenses incurred, in so doing, including fees and expenses of Beneficiary's counsel (all of which shall constitute so much additional Indebtedness bearing interest at the Default Rate until paid, and payable upon demand);

(d) Trustor shall pay each such Contested Lien and all Lien Amounts together with interest and penalties thereon (i) if and to the extent that any such Contested Lien shall be determined adverse to Trustor, or (ii) forthwith upon demand by Beneficiary if, in the opinion of Beneficiary, and notwithstanding any such contest, the Premises shall be in jeopardy or in danger of being forfeited or foreclosed; provided that if Trustor shall fail so to do, Beneficiary may, but shall not be required to, pay all such Contested Liens and Lien Amounts and interest and penalties thereon and such other sums as may be necessary in the judgment of Beneficiary to obtain the release and discharge of such liens; and any amount expended by Beneficiary in so doing shall be so much additional Indebtedness bearing interest at the Default Rate until paid, and payable upon demand; and provided further that Beneficiary may in such case use and apply monies deposited as provided in subsection (b) above and may demand payment upon any bond or title indemnity furnished as aforesaid.

25. *EXPENSES RELATING TO NOTE AND DEED OF TRUST.*

(a) Trustor will pay all reasonable expenses, charges, costs and fees relating to the Loan or necessitated by the terms of the Note, this Deed of Trust or any of the other Loan Documents, including without limitation, Beneficiary's reasonable attorneys' fees in connection with the negotiation, documentation, administration, servicing and enforcement of the Note, this Deed of Trust and the other Loan Documents, all filing, registration and recording fees, all other expenses incident to the execution and acknowledgment of this Deed of Trust and all federal, state, county and municipal taxes, and other taxes (provided Trustor shall not be required to pay any income or franchise taxes of Beneficiary), duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of the Note and this Deed of Trust. Trustor recognizes that, during the term of this Deed of Trust, Beneficiary:

(i) may be involved in court or administrative proceedings, including, without restricting the foregoing, foreclosure, probate, bankruptcy, creditors' arrangements, insolvency, housing authority and pollution control proceedings of any kind, to which Beneficiary shall be a party by reason of the Loan Documents or in which the Loan Documents or the Premises are involved directly or indirectly;

(ii) may make preparations following the occurrence of an Event of Default hereunder for the commencement of any suit for the foreclosure hereof, which may or may not be actually commenced;

(iii) may make preparations following the occurrence of an Event of Default hereunder for, and do work in connection with, Beneficiary's taking possession of and managing the Premises, which event may or may not actually occur;

(iv) may make preparations for and commence other private or public actions to remedy an Event of Default hereunder, which other actions may or may not be actually commenced;

(v) may enter into negotiations with Trustor or any of its agents, employees or attorneys in connection with the existence or curing of any Event of Default hereunder, the sale of the Premises, the assumption of liability for any of the Indebtedness or the transfer of the Premises in lieu of foreclosure; or

(vi) may enter into negotiations with Trustor or any of its agents, employees, or attorneys pertaining to Beneficiary's approval of actions taken or proposed to be taken by Trustor which approval is required by the terms of this Deed of Trust.

(b) All expenses, charges, costs, and fees described in this section shall be so much additional Indebtedness, shall bear interest from the date so incurred until paid at the Default Rate and shall be paid, together with said interest, by Trustor forthwith upon demand.

26. FINANCIAL STATEMENTS. Trustor represents and warrants that the financial statements for Trustor and the Premises previously submitted to Beneficiary are (as of the date made) true, complete and correct in all material respects, disclose all actual and contingent liabilities of Trustor or relating to the Premises and do not contain any untrue statement of a material fact or omit to state a fact material to such financial statements. No material adverse change has occurred in the financial condition of Trustor or the Premises from the dates of said financial statements until the Effective Date. Trustor shall furnish to Beneficiary such financial information regarding Trustor, its constituent partners or managing members, as the case may be, the Premises and any guarantor of the Note as Beneficiary may from time to time reasonably request, which shall include, without any further request therefor, (i) quarterly financial statements for the Premises including a balance sheet, statement of income and rent roll for the Premises (if applicable), no later than thirty (30) days after the end of each calendar quarter of each year, all in form, scope and detail as previously accepted by Beneficiary and certified by the chief financial officer or other appropriate officer, partner or member of Trustor, and (ii) annual financial statements for Trustor and the Premises certified by the chief financial officer or other appropriate officer, partner or member of Trustor and annual financial statements for any guarantor of the Note certified by such guarantor to be true, correct and complete, in each case, no later than ninety (90) days after the end of each year.

27. STATEMENT OF INDEBTEDNESS. Trustor, within seven (7) days after being so requested by Beneficiary, shall furnish a duly acknowledged written statement setting forth the amount of the debt secured by this Deed of Trust, the date to which interest has been paid and

stating either that no offsets or defenses exist against such debt or, if such offsets or defenses are alleged to exist, the nature thereof.

28. FURTHER INSTRUMENTS. Upon request of Beneficiary, Trustor shall execute, acknowledge and deliver all such additional instruments and further assurances of title and shall do or cause to be done all such further acts and things as may reasonably be necessary fully to effectuate the intent of this Deed of Trust and of the other Loan Documents.

29. ADDITIONAL INDEBTEDNESS SECURED. All persons and entities with any interest in the Premises or about to acquire any such interest should be aware that this Deed of Trust secures more than the stated principal amount of the Note and interest thereon; this Deed of Trust secures any and all other amounts which may become due under the Note, any of the other Loan Documents or any other document or instrument evidencing, securing or otherwise affecting the Indebtedness, including, without limitation, any and all amounts expended by Beneficiary to operate, manage or maintain the Premises or to otherwise protect the Premises or the lien of this Deed of Trust.

30. INDEMNITY. Trustor hereby covenants and agrees that no liability shall be asserted or enforced against Beneficiary in the exercise of the rights and powers granted to Beneficiary in this Deed of Trust, and Trustor hereby expressly waives and releases any such liability. Trustor shall indemnify and save Beneficiary harmless from and against any and all liabilities, obligations, losses, damages, claims, costs and expenses (including reasonable attorneys' fees and court costs) (collectively, "**Claims**"), of whatever kind or nature which may be imposed on, incurred by or asserted against Beneficiary at any time by any third party which relate to or arise from: (a) any suit or proceeding (including probate and bankruptcy proceedings), or the threat thereof, in or to which Beneficiary may or does become a party, either as plaintiff or as a defendant, by reason of this Deed of Trust or for the purpose of protecting the lien of this Deed of Trust; (b) the offer for sale or sale of all or any portion of the Premises; and (c) the ownership, leasing, use, operation or maintenance of the Premises, if such Claims relate to or arise from actions taken prior to the surrender of possession of the Premises to Beneficiary in accordance with the terms of this Deed of Trust; provided, however, that Trustor shall not be obligated to indemnify or hold Beneficiary harmless from and against any Claims directly arising from the gross negligence or willful misconduct of Beneficiary. All costs provided for herein and paid for by Beneficiary shall be so much additional Indebtedness and shall become immediately due and payable upon demand by Beneficiary and with interest thereon from the date incurred by Beneficiary until paid at the Default Rate.

31. SUBORDINATION OF PROPERTY MANAGER'S LIEN. Any property management agreement for the Premises entered into hereafter with a property manager shall contain a provision whereby the property manager agrees that any and all mechanics' lien rights that the property manager or anyone claiming by, through or under the property manager may have in the Premises shall be subject and subordinate to the lien of this Deed of Trust and shall provide that Beneficiary may terminate such agreement, without penalty or cost, at any time after the occurrence of an Event of Default hereunder. Such property management agreement or a short form thereof, at Beneficiary's request, shall be recorded in the Official Records of the county where the Premises are located. In addition, if the property management agreement in existence as of the date hereof does not contain a subordination provision, Trustor shall cause the property

manager under such agreement to enter into a subordination of the management agreement with Beneficiary, in recordable form, whereby such property manager subordinates present and future lien rights and those of any party claiming by, through or under such property manager to the lien of this Deed of Trust.

32. COMPLIANCE WITH ENVIRONMENTAL LAWS.

(a) Trustor acknowledges that concurrently herewith Trustor has executed and delivered to Beneficiary the Indemnity pursuant to which Trustor and Guarantor have fully indemnified Beneficiary for certain environmental matters concerning the Premises, as more particularly described therein. Trustor agrees to abide by all of the provisions of the Indemnity. This Deed of Trust shall not, however, secure the performance of Trustor's and Guarantor's obligations under the Environmental Indemnity.

(b) In addition to Beneficiary's rights under Section 21, Trustor hereby authorizes Beneficiary, any prospective bidder at any foreclosure sale and their respective officers, directors, employees, agents and independent contractors to enter upon all or any portion of the Premises (including, without limitation, following the occurrence of a default hereunder) for the purpose of conducting such tests, inspections, inquiries, examinations, studies, analyses, samples, surveys, and other information gathering activities (collectively, the "*Tests and Studies*") with respect to the Premises as any of them may from time to time deem necessary or appropriate, including, without limitation, Tests and Studies with respect to the presence of Hazardous Materials in or around the Premises and the occurrence of any actual, proposed or threatened storage, existence, release, removal, remediation, handling or transportation of any Hazardous Substances in or around the Premises. Except in case of an emergency, or when the Trustor or any tenant has abandoned the Premises, or if it is impracticable to do so, Beneficiary shall give Trustor reasonable advance notice of Beneficiary's intent to enter the Premises and shall enter the Premises only during normal business hours. Trustor hereby covenants and agrees to cooperate fully with such parties in their efforts to conduct the Tests and Studies, and further covenants and agrees to make available to such parties such portions of the Premises as any of them may designate. If Beneficiary is refused the right of entry and inspection by the Trustor or any tenant of the Premises, or is otherwise unable to enter and conduct Tests and Studies on the Premises without a breach of peace, Beneficiary may obtain an order from a court of competent jurisdiction, the appointment of a receiver, or both, to enable Beneficiary to exercise its rights under this section. Beneficiary's rights and remedies set forth herein are in addition to, and Trustor hereby confirms to Beneficiary its rights and remedies under, Section 564(c) of the California Code of Civil Procedure and Section 2929.5 of the California Civil Code. In that regard, the decision of Beneficiary as to whether there exists a release or threatened release of Hazardous Substances onto the Premises shall be deemed reasonable and conclusive as between the parties hereto. The results of all Tests and Studies shall be and at all times remain the property of Beneficiary and under no circumstances shall Beneficiary have any obligation whatsoever to disclose or otherwise make available to Trustor or any other party such results or any other information obtained by them in connection with such Tests and Studies.

(c) Notwithstanding the provisions of subsection a above, Beneficiary hereby reserves the right, and Trustor hereby expressly authorizes Beneficiary to make available to any

party (including, without limitation, any governmental agency or authority and any prospective bidder at any foreclosure sale of the Premises), any and all information which Beneficiary may have with respect to the Premises, whether provided by Trustor or any third party or obtained as a result of Tests and Studies, including, without limitation, environmental reports, surveys and engineering reports. Trustor consents to Beneficiary notifying any party (either as part of a notice of sale or otherwise) of the availability of any or all of the Tests and Studies and the information contained therein. Trustor acknowledges that Beneficiary cannot control or otherwise assure the truthfulness or accuracy of the Tests and Studies, and that the release of Tests and Studies, or any information contained therein, to prospective bidders at any foreclosure sale of the Premises may have a material and adverse effect upon the amount which a party may bid at such sale. Trustor agrees that Beneficiary shall have no liability whatsoever as a result of delivering any or all of the Tests and Studies or any information contained therein to any third party, and Trustor hereby releases, remises and forever discharges Beneficiary from any and all claims, damages, or causes of action, arising out of, connected with or incidental to the Tests and Studies or the delivery thereof.

(d) All costs and expenses incurred by Beneficiary pursuant to this paragraph, including, without limitation, costs of consultants and contractors, costs of repair of any physical injury to the Premises normal and customary to the Tests and Studies, court costs and attorneys' fees, whether incurred in litigation or not and whether before or after judgment, shall be payable by Trustor and, to the extent advanced or incurred by Beneficiary, shall be reimbursed to Beneficiary by Trustor upon demand. It is the parties' intention that Beneficiary be responsible only for the cost of repair of physical injury to the Premises that was not reasonable or necessary to the conducting of the Tests and Studies in accordance with normal and customary procedures. Any and all costs and expenses incurred or advanced by Beneficiary pursuant to this paragraph, together with interest thereon at the rate then applicable under the Note, shall be secured by this Deed of Trust and shall enjoy the same priority as the original principal amount of the Note.

33. MISCELLANEOUS.

(a) *Successors and Assigns.* This Deed of Trust and all provisions hereof shall be binding upon and enforceable against Trustor and its assigns and other successors. This Deed of Trust and all provisions hereof shall inure to the benefit of Beneficiary, its successors and assigns and any holder or holders, from time to time, of the Note.

(b) *Invalidity of Provisions; Governing Law.* In the event that any provision of this Deed of Trust is deemed to be invalid by reason of the operation of law, or by reason of the interpretation placed thereon by any administrative agency or any court, Trustor and Beneficiary will negotiate an equitable adjustment in the provisions of the same in order to effect, to the maximum extent permitted by law, the purpose of this Deed of Trust and the validity and enforceability of the remaining provisions, or portions or applications thereof, will not be affected thereby and will remain in full force and effect. This Deed of Trust is to be construed in accordance with and governed by the laws of the State of California.

(c) *Municipal Requirements.* Trustor shall not by act or omission permit any building or other improvement on premises not subject to the lien of this Deed of Trust to

rely on the Premises or any part thereof or any interest therein to fulfill any municipal or governmental requirement, and Trustor hereby assigns to Beneficiary any and all rights to give consent for all or any portion of the Premises or any interest therein to be so used. Similarly, no building or other improvement on the Premises shall rely on any premises not subject to the lien of this Deed of Trust or any interest therein to fulfill any governmental or municipal requirement. Any act or omission by Trustor which would result in a violation of any of the provisions of this subsection shall be void.

(d) ***Rights of Tenants.*** Beneficiary shall have the right and option to commence a civil action to foreclose this Deed of Trust and to obtain a decree of foreclosure and sale subject to the rights of any tenant or tenants of the Premises having an interest in the Premises prior to that of Beneficiary. The failure to join any such tenant or tenants of the Premises as party defendant or defendants in any such civil action or the failure of any decree of foreclosure and sale to foreclose their rights shall not be asserted by Trustor as a defense in any civil action instituted to collect the Indebtedness, or any part thereof or any deficiency remaining unpaid after foreclosure and sale of the Premises, any statute or rule of law at any time existing to the contrary notwithstanding.

(e) ***Option of Beneficiary to Subordinate.*** At the option of Beneficiary, this Deed of Trust shall become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to insurance proceeds or any condemnation or eminent domain award) to any and all leases of all or any part of the Premises upon the execution by Beneficiary of a unilateral declaration to that effect and the recording thereof in the Office of the Recorder in and for the county wherein the Premises are situated.

(f) ***Mortgagee-in-Possession.*** Nothing herein contained shall be construed as constituting Beneficiary a mortgagee-in-possession in the absence of the actual taking of possession of the Premises by Beneficiary pursuant to this Deed of Trust.

(g) ***Relationship of Beneficiary and Trustor.*** Beneficiary shall in no event be construed for any purpose to be a partner, joint venturer, agent or associate of Trustor or of any lessee, operator, concessionaire or licensee of Trustor in the conduct of their respective businesses, and, without limiting the foregoing, Beneficiary shall not be deemed to be such partner, joint venturer, agent or associate on account of Beneficiary becoming a mortgagee-in-possession or exercising any rights pursuant to this Deed of Trust, any of the other Loan Documents, or otherwise. The relationship of Trustor and Beneficiary hereunder is solely that of debtor/creditor.

(h) ***Time of the Essence.*** Time is of the essence of the payment by Trustor of all amounts due and owing to Beneficiary under the Note and the other Loan Documents and the performance and observance by Trustor of all terms, conditions, obligations, and agreements contained in this Deed of Trust and the other Loan Documents.

(i) ***No Merger.*** The parties hereto intend that this Deed of Trust and the lien hereof shall not merge in fee simple title to the Premises, and if Beneficiary acquires any additional or other interest in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by Beneficiary as evidenced by an express statement to that effect in an

appropriate document duly recorded, this Deed of Trust and the lien hereof shall not merge in the fee simple title and this Deed of Trust may be foreclosed as if owned by a stranger to the fee simple title.

(j) ***Consent to Jurisdiction.*** TO INDUCE BENEFICIARY TO ACCEPT THE NOTE, TRUSTOR IRREVOCABLY AGREES THAT, SUBJECT TO BENEFICIARY'S SOLE AND ABSOLUTE ELECTION, ALL ACTIONS OR PROCEEDINGS IN ANY WAY ARISING OUT OF OR RELATED TO THE NOTE AND THIS DEED OF TRUST WILL BE LITIGATED IN COURTS HAVING SITUS IN LOS ANGELES COUNTY, CALIFORNIA. TRUSTOR HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY COURT LOCATED WITHIN LOS ANGELES COUNTY, CALIFORNIA, WAIVES PERSONAL SERVICE OF PROCESS UPON TRUSTOR, AND AGREES THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY REGISTERED MAIL DIRECTED TO TRUSTOR AT THE ADDRESS STATED HEREIN AND SERVICE SO MADE WILL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT.

(k) ***Waiver of Jury Trial.*** TO THE EXTENT PERMITTED BY APPLICABLE LAW, TRUSTOR AND BENEFICIARY (BY ACCEPTANCE HEREOF), HAVING BEEN REPRESENTED BY COUNSEL EACH KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS (A) UNDER THIS DEED OF TRUST OR ANY RELATED AGREEMENT OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION WITH THIS DEED OF TRUST OR (B) ARISING FROM ANY BANKING RELATIONSHIP EXISTING IN CONNECTION WITH THIS DEED OF TRUST, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING WILL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. TRUSTOR AGREES THAT IT WILL NOT ASSERT ANY CLAIM AGAINST BENEFICIARY OR ANY OTHER PERSON INDEMNIFIED UNDER THIS DEED OF TRUST ON ANY THEORY OF LIABILITY FOR SPECIAL, INDIRECT, CONSEQUENTIAL, INCIDENTAL, OR PUNITIVE DAMAGES.

(l) ***Complete Agreement.*** This Deed of Trust, the Note and the other Loan Documents constitute the complete agreement between the parties with respect to the subject matter hereof and the Loan Documents may not be modified, altered or amended except by an agreement in writing signed by both Trustor and Beneficiary.

(m) ***Facsimile/Electronic Signature and Documents; Counterparts.*** Signatures transmitted and received via facsimile or electronic email will be treated for all purposes under this Deed of Trust and other Loan Documents as original signatures and will be deemed valid, binding and enforceable by and against the all parties. Transmitted copies (reproduced documents that are transmitted via photocopy, facsimile, electronically or any other process that accurately transmits the original) will be considered documents equivalent to the original documents. This document may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

(n) **Construction Loan.** The Note evidences a debt created by one or more disbursements made by Beneficiary to Borrowers to finance the cost of the construction of certain improvements upon the Real Estate in accordance with the provisions of the Loan Agreement, and this Deed of Trust is a construction deed of trust as such term is defined in Section 9-334(h) of the Code. The terms and conditions recited and set forth in the Loan Agreement are fully incorporated in this deed of trust and made a part hereof, and an Event of Default under any of the conditions or provisions of the Loan Agreement shall constitute a default hereunder. Upon the occurrence of any such Event of Default, the holder of the Note may at its option declare the Indebtedness immediately due and payable, or complete the construction of said improvements and enter into the necessary contracts therefor, in which case all money expended shall be so much additional Indebtedness and any money expended in excess of the amount of the original principal shall be immediately due and payable with interest until paid at the Default Rate. In the event of a conflict between the terms of the Loan Agreement and this Deed of Trust, the provisions of the Loan Agreement shall apply and take precedence over this Deed of Trust.]

34. **ADDITIONAL AGREEMENTS.**

(a) Beneficiary may substitute Trustee hereunder in any manner now or hereafter provided by law or, in lieu thereof, Beneficiary may from time to time, by an instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed and acknowledged by Beneficiary and recorded in the office of the Recorder of the county in which the Real Estate and Improvements are situated, shall be conclusive proof of proper substitution of such successor Trustee, who shall thereupon and without conveyance from the predecessor Trustee, succeed to all its title, estate, rights, powers and duties.

(b) Beneficiary shall furnish any statement required by law regarding the obligations secured hereby or regarding the amounts held in any trust or reserve fund hereunder. For any such statement, Beneficiary may charge a reasonable fee, not to exceed the maximum amount permitted by law at the time of the request thereof.

(c) It is expressly stipulated and agreed to be the intent of Beneficiary and Trustor, at all times to comply with applicable California law governing the highest lawful rate or amount of interest payable on the Loan (or applicable United States federal law to the extent that it permits Beneficiary to contract for, charge, take, reserve or receive a greater amount of interest than under California law). If the applicable law is ever judicially interpreted so as to render usurious any amount called for under this Deed of Trust, the Note or under any of the other Loan Documents, or contracted for, charged, taken, reserved or received with respect to the Loan, or if Beneficiary's exercise of the option to accelerate the maturity of the Note or if any prepayment by Trustor results in Trustor having paid any interest in excess of that permitted by applicable law, then it is Trustor's and Beneficiary's express intent that all excess amounts theretofore collected by Beneficiary be credited on the principal balance of the Note (or, if the Note and all other obligations have been or would thereby be paid in full, refunded to Trustor), and the provisions of this Deed of Trust, the Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new documents, so as to comply with the

applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder or thereunder. All sums paid or agreed to be paid to Beneficiary for the use, forbearance or detention of the Loan shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the Loan until payment in full so that the rate or amount of interest on account of the Loan does not exceed the usury ceiling from time to time in effect and applicable to the Loan for so long as the Loan is outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Beneficiary to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

35. FUTURE ADVANCES. This Deed of Trust shall secure not only existing indebtedness, but also such future advances, whether such advances are obligatory or to be made at the option of Beneficiary, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust. Any such future advances, whether obligatory or to be made at the option of the Beneficiary, or otherwise, may be made either prior to or after the due date of the Note or any other notes secured by this Deed of Trust. This Deed of Trust is given for the specific purpose of securing any and all indebtedness by the Trustor to Beneficiary in whatever manner this indebtedness may be evidenced or represented, until this Deed of Trust is satisfied of record. All covenants and agreements contained in this Deed of Trust shall be applicable to all further advances made by Beneficiary to Trustor under this future advance clause.

36. LIMITATION OF LIABILITY; RECOURSE CARVEOUTS. The provisions of Section 14 of the Note are incorporated herein by this reference and shall have the same effect as if fully set forth herein.

TRUSTOR ACKNOWLEDGES THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY OR EXTEND CREDIT, ARE NOT ENFORCEABLE UNDER CALIFORNIA LAW.

TRUSTOR PLEASE NOTE: UPON THE OCCURRENCE OF A DEFAULT, CALIFORNIA PROCEDURE PERMITS THE TRUSTEE TO SELL THE PREMISES AT A SALE HELD WITHOUT SUPERVISION BY ANY COURT AFTER EXPIRATION OF A PERIOD PRESCRIBED BY LAW. UNLESS YOU PROVIDE AN ADDRESS FOR THE GIVING OF NOTICE, YOU MAY NOT BE ENTITLED TO NOTICE OF THE COMMENCEMENT OF SALE PROCEEDINGS. BY EXECUTION OF THIS DEED OF TRUST, YOU CONSENT TO SUCH PROCEDURE. BENEFICIARY URGES YOU TO GIVE PROMPT NOTICE OF ANY CHANGE IN YOUR ADDRESS SO THAT YOU MAY RECEIVE PROMPTLY ANY NOTICE GIVEN PURSUANT TO THIS DEED OF TRUST.

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Filed 06/13/18

Case 18-23387

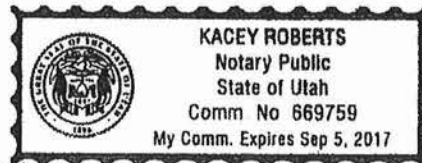
Doc 22

IN WITNESS WHEREOF, Trustor has executed and delivered this Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing the day and year first above written.

EFALLS PROPERTIES ELK GROVE CA LLC, a
Utah limited liability company

By: [Signature]
Name: Steve Down
Title: President

STATE OF <u>Utah</u>)
COUNTY OF <u>Salt Lake</u>) SS
On <u>June</u> <u>17</u> , 2014, before me, <u>Kacey Roberts, Notary Public</u> , personally appeared <u>Steve Down</u> who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.	
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.	
WITNESS my hand and official seal.	
Signature <u>Kacey Roberts</u>	(Seal)



SIGNATURE PAGE
DEED OF TRUST, SECURITY AGREEMENT,
ASSIGNMENT OF RENTS AND LEASES, AND FIXTURE FILING
EFALLS PROPERTIES ELK GROVE CA LLC

4876179

EXHIBIT "A"

LEGAL DESCRIPTION OF REAL ESTATE

PARCEL 1:

Parcel A, as shown on the "Parcel Map No. 11-053, The Falls of Elk Grove", filed May 21, 2013, in Book 219 of Parcel Maps, Map No. 14, records of Sacramento County.

ADDRESS:

8280 Elk Grove Boulevard
Elk Grove, California

ASSESSOR'S PARCEL NUMBER:

132-2130-004

PARCEL 2:

Parcel B, as shown on the "Parcel Map No. 11-053, The Falls of Elk Grove", filed May 21, 2013, in Book 219 of Parcel Maps, Map No. 14, records of Sacramento County.

ADDRESS:

8290 Elk Grove Boulevard
Elk Grove, California

ASSESSOR'S PARCEL NUMBER:

132-2130-005

EXHIBIT "B"

PERMITTED EXCEPTIONS

1. General real estate taxes not yet due and payable.
2. Those Schedule B and B-2 Exceptions contained in the Proforma Lender's ALTA Loan Policy issued by Stewart Title Guaranty Company and consented to by Beneficiary.

Exhibit 3
[Itemized Payoff]



12100 Wilshire Blvd., Ste 510
Los Angeles, CA 90025

Payoff Demand

Closing Date: 7/3/2014
Maturity Date: 7/3/2017

Borrower: Elk Grove, LLC
Loan Number: Elk Grove

Principal Balance Due	\$	6,175,000.00
Additional Interest Due	\$	2,070,168.36
Default Fee on Principal (10%)	\$	617,500.00
Default Fee on unpaid Interest (10%)	\$	207,016.84
Lender Legal Fees	\$	15,755.10
Estimated Foreclosure Fees/costs	\$	15,177.01
Appraisal Fee	\$	8,000.00
Total Payoff Amount as of 07-16-18	\$	9,108,617.31
I/O Due per additional Day	\$	4,116.67

Payoff funds must be made payable via wire or certified funds, with reference to loan no., as follows:

Wire **Beneficiary Bank:** Banc of California
Bank Address: 10100 Santa Monica Blvd., Ste. 2500, Los Angeles, CA 90067
Routing/ABA: 122243774
Beneficiary: iBorrow, L.P.
Beneficiary Address: 12100 Wilshire Blvd., Ste. 510, Los Angeles, CA 90025
Account Number: 11029105

Mail iBorrow, L.P.
12100 Wilshire Blvd., Ste. 510
Los Angeles, CA 90025

Certified By:
iBorrow, L.P.

Brian Good, CEO

Principal Loan Amount: \$6,175,000.00
Interest Rate: 12.00%
Default Rate: 24.00%

Due Date	Month	Days	Loan Outstanding	Interest Rate	Amo. Base	Amount Due	Amount Rec'd	Difference	Balance Due	Check	Clear Date
08/01/14	Jul-14	29	\$6,175,000.00	12.00%	360	\$ 59,691.67	\$ 59,691.67	\$ -	\$ -	Pre-Paid	07/10/14
09/01/14	Aug-14	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,200.69	Wire	08/04/14
10/01/14	Sep-14	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 343.05	Wire	
11/01/14	Oct-14	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,543.74	Wire	
12/01/14	Nov-14	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 686.10	Wire	
01/01/15	Dec-14	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,886.79	Wire	
02/01/15	Jan-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 3,087.48	Wire	
03/01/15	Feb-15	28	\$6,175,000.00	12.00%	360	\$ 57,633.33	\$ 62,607.64	\$ (4,974.31)	\$ (1,886.83)	Wire	
04/01/15	Mar-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ (686.14)	Wire	
05/01/15	Apr-15	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ (1,543.78)	Wire	
06/01/15	May-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ (343.09)	Wire	06/02/15
07/01/15	Jun-15	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ (1,200.73)	Wire	07/07/15
08/01/15	Jul-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ (0.04)	Wire	08/07/15
09/01/15	Aug-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,200.65	Wire	09/03/15
10/01/15	Sep-15	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 343.01	Wire	10/02/15
11/01/15	Oct-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,543.70	Wire	11/05/15
12/01/15	Nov-15	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 686.06	Wire	12/01/15
01/01/16	Dec-15	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,886.75	Wire	01/07/16
02/01/16	Jan-16	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 3,087.44	Wire	02/10/16
03/01/16	Feb-16	29	\$6,175,000.00	12.00%	360	\$ 59,691.67	\$ 62,607.64	\$ (2,915.97)	\$ 171.47	Wire	03/10/16
04/01/16	Mar-16	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,372.16	Wire	04/01/16
05/01/16	Apr-16	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 514.52	Wire	05/03/16
06/01/16	May-16	31	\$6,175,000.00	12.00%	360	\$ 63,808.33	\$ 62,607.64	\$ 1,200.69	\$ 1,715.21	Wire	06/02/16
07/01/16	Extension Fee					\$ 61,750.00	\$ 61,750.00	\$ -		Wire	06/07/16
07/01/16	Jun-16	30	\$6,175,000.00	12.00%	360	\$ 61,750.00	\$ 62,607.64	\$ (857.64)	\$ 857.57	Wire	07/08/16
Loan In Default as of 7/1/16											
08/01/16	Jul-16	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 65,866.60	Wire	08/04/16
09/01/16	Aug-16	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 130,875.63	Wire	09/02/16
10/01/16	Sep-16	30	\$6,175,000.00	24.00%	360	\$ 123,500.00	\$ 62,607.64	\$ 60,892.36	\$ 191,767.99	Wire	09/30/16
11/01/16	Oct-16	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 256,777.02	Wire	11/07/16
12/01/16	Nov-16	30	\$6,175,000.00	24.00%	360	\$ 123,500.00	\$ 62,607.64	\$ 60,892.36	\$ 317,669.38	Wire	12/02/16
01/01/17	Dec-16	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 382,678.41	Wire	01/06/17
02/01/17	Jan-17	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 447,687.44	Wire	02/09/17
03/01/17	Feb-17	28	\$6,175,000.00	24.00%	360	\$ 115,266.67	\$ 62,607.64	\$ 52,659.03	\$ 500,346.47	Wire	03/01/17
04/01/17	Mar-17	31	\$6,175,000.00	24.00%	360	\$ 127,616.67	\$ 62,607.64	\$ 65,009.03	\$ 565,355.50	Wire	04/14/17
05/01/17	Apr-17	30	\$6,175,000.00	24.00%	360	\$ 123,500.00	\$ 62,607.64	\$ 60,892.36	\$ 626,247.86	Wire	05/18/17

06/01/17	May-17	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	62,607.64	\$	65,009.03	\$	691,256.89	Wire	06/09/17
07/01/17	Jun-17	30	\$6,175,000.00	24.00%	360	\$	123,500.00	\$	62,607.64	\$	60,892.36	\$	752,149.25	Wire	07/03/17
08/01/17	Jul-17	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	62,607.64	\$	65,009.03	\$	817,158.28	Wire	07/31/17
09/01/17	Aug-17	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	62,607.64	\$	65,009.03	\$	882,167.31	Wire	09/14/17
10/01/17	Sep-17	30	\$6,175,000.00	24.00%	360	\$	123,500.00	\$	62,607.64	\$	60,892.36	\$	943,059.67	Wire	10/13/17
11/01/17	Oct-17	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	62,608.00	\$	65,008.67	\$	1,008,068.34	Wire	11/08/17
12/01/17	Nov-17	30	\$6,175,000.00	24.00%	360	\$	123,500.00	\$	-	\$	123,500.00	\$	1,131,568.34		
01/01/18	Dec-17	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	-	\$	127,616.67	\$	1,259,185.01		
02/01/18	Jan-18	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	-	\$	127,616.67	\$	1,386,801.68		
03/01/18	Feb-18	28	\$6,175,000.00	24.00%	360	\$	115,266.67	\$	-	\$	115,266.67	\$	1,502,068.35		
04/01/18	Mar-18	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	-	\$	127,616.67	\$	1,629,685.02		
05/01/18	Apr-18	30	\$6,175,000.00	24.00%	360	\$	123,500.00	\$	-	\$	123,500.00	\$	1,753,185.02		
06/01/18	May-18	31	\$6,175,000.00	24.00%	360	\$	127,616.67	\$	-	\$	127,616.67	\$	1,880,801.69		
07/01/18	Jun-18	30	\$6,175,000.00	24.00%	360	\$	123,500.00	\$	-	\$	123,500.00	\$	2,004,301.69		
07/16/18	Jul-18	16	\$6,175,000.00	24.00%	360	\$	65,866.67	\$	-	\$	65,866.67	\$	2,070,168.36		
						\$	4,633,308.35	\$	2,563,139.99	\$	2,070,168.36				

Exhibit 4
[Grant Deed]

Recording Requested By,
When Recorded Mail To, and
Mail Tax Statements To:

The Falls at Elk Grove, LLC
c/o The Falls Event Center, LLC
9071 S 1300 W, Suite 301
West Jordan, UT 84088



Sacramento County
Donna Allred, Clerk/Recorder

Doc #	201805300587	Fees	\$101.00
5/30/2018	10:09:43 AM	Taxes	\$0.00
JDH		PCOR	\$0.00
Titles	1	Paid	\$101.00
Pages	3		

[Space above this line for recorder's use]

Documentary Transfer Tax: \$
By: Same Parties 11925
Title: _____

GRANT DEED

eFalls Properties Elk Grove CA, LLC, a Utah limited liability company, grant(s) to

The Falls at Elk Grove, LLC, a California limited liability company, its successor in interest,

the real property situated in the City of Elk Grove, County of Sacramento, State of California described on attached Exhibit "A."

Assessor's Parcel Nos.: 132-2130-004 and 132-2130-005

Executed on May 29, 2018, at Salt Lake, Utah

eFalls Properties Elk Grove CA, LLC,
a Utah limited liability company

By: Steve Down
Steve Down, Manager & Chief Executive Officer
aka Steven Down

Acknowledgment

State of Utah)

County of ^sSalt Lake)


On this 29 day of May, in the year 2018, before me, Adam Elder a notary
date month year notary public name

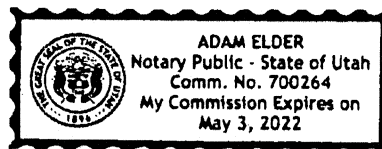
public, personally appeared Steven Down, proved on the basis of satisfactory
name of document signer

evidence to be the person~~s~~ whose name~~s~~ (is) (are) subscribed to this instrument, and acknowledged

(he) (she/they) executed the same.

Witness my hand and official seal.


(notary signature)



(seal)

Exhibit "A"
Legal Description

All that real property located in the County of Sacramento described as follows:

PARCEL 1 [8280 Elk Grove Blvd, Elk Grove, CA 95758]:

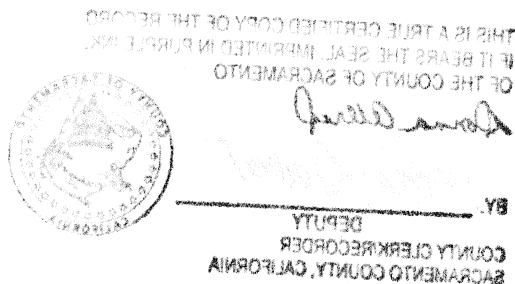
Parcel A, as shown on the "Parcel Map No. 11-053, The Falls of Elk Grove", filed May 21, 2013, in Book 219 of Parcel Maps, Map No. 14, records of Sacramento County.

Assessor's Parcel Number: 132-2130-004

PARCEL 2 [8290 Elk Grove Blvd, Elk Grove, CA 95758]:

Parcel B, as shown on the "Parcel Map No. 11-053, The Falls of Elk Grove", filed May 21, 2013, in Book 219 of Parcel Maps, Map No. 14, records of Sacramento County.

Assessor's Parcel Number: 132-2130-005



JUN 11 2018

THIS IS A TRUE CERTIFIED COPY OF THE RECORD
IF IT BEARS THE SEAL, IMPRINTED IN PURPLE INK,
OF THE COUNTY OF SACRAMENTO

Donna Allred
BY *Debra Seibert*
DEPUTY
COUNTY CLERK/RECORDER
SACRAMENTO COUNTY, CALIFORNIA



Exhibit 5
[Schedules]

Fill in this information to identify your case:

United States Bankruptcy Court for the:

EASTERN DISTRICT OF CALIFORNIA

Case number (if known) Chapter 11

☐ Check if this an amended filing

Official Form 201

Voluntary Petition for Non-Individuals Filing for Bankruptcy

4/16

If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known). For more information, a separate document, *Instructions for Bankruptcy Forms for Non-Individuals*, is available.

1. Debtor's name	The Falls at Elk Grove, LLC, a California limited liability company	
2. All other names debtor used in the last 8 years Include any assumed names, trade names and doing business as names		
3. Debtor's federal Employer Identification Number (EIN)		
4. Debtor's address	Principal place of business 8280 Elk Grove Blvd. Elk Grove, CA 95758 Number, Street, City, State & ZIP Code Sacramento County	Mailing address, if different from principal place of business 9067 South 1300 West, Suite 301 West Jordan, UT 84088 P.O. Box, Number, Street, City, State & ZIP Code Location of principal assets, if different from principal place of business Number, Street, City, State & ZIP Code
5. Debtor's website (URL)	TheFallsEventCenter.com/Location/Elk-Grove-Ca/	
6. Type of debtor	<input checked="" type="checkbox"/> Corporation (including Limited Liability Company (LLC) and Limited Liability Partnership (LLP)) <input type="checkbox"/> Partnership (excluding LLP) <input type="checkbox"/> Other. Specify:	

Debtor The Falls at Elk Grove, LLC, a California limited liability company
Name

7. Describe debtor's business

A. Check one:

- ☐ Health Care Business (as defined in 11 U.S.C. § 101(27A))
☒ Single Asset Real Estate (as defined in 11 U.S.C. § 101(51B))
☐ Railroad (as defined in 11 U.S.C. § 101(44))
☐ Stockbroker (as defined in 11 U.S.C. § 101(53A))
☐ Commodity Broker (as defined in 11 U.S.C. § 101(6))
☐ Clearing Bank (as defined in 11 U.S.C. § 781(3))
☐ None of the above

B. Check all that apply

- ☐ Tax-exempt entity (as described in 26 U.S.C. §501)
☐ Investment company, including hedge fund or pooled investment vehicle (as defined in 15 U.S.C. §80a-3)
☐ Investment advisor (as defined in 15 U.S.C. §80b-2(a)(11))

C. NAICS (North American Industry Classification System) 4-digit code that best describes debtor.

See <http://www.uscourts.gov/four-digit-national-association-naics-codes>.

5311

8. Under which chapter of the Bankruptcy Code is the debtor filing?

Check one:

- ☐ Chapter 7
☐ Chapter 9

☒ Chapter 11. Check all that apply:

- ☐ Debtor's aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,566,050 (amount subject to adjustment on 4/01/19 and every 3 years after that).
☐ The debtor is a small business debtor as defined in 11 U.S.C. § 101(51D). If the debtor is a small business debtor, attach the most recent balance sheet, statement of operations, cash-flow statement, and federal income tax return or if all of these documents do not exist, follow the procedure in 11 U.S.C. § 1116(1)(B).
☐ A plan is being filed with this petition.
☐ Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).
☐ The debtor is required to file periodic reports (for example, 10K and 10Q) with the Securities and Exchange Commission according to § 13 or 15(d) of the Securities Exchange Act of 1934. File the attachment to Voluntary Petition for Non-Individuals Filing for Bankruptcy under Chapter 11 (Official Form 201A) with this form.
☐ The debtor is a shell company as defined in the Securities Exchange Act of 1934 Rule 12b-2.

☐ Chapter 12

9. Were prior bankruptcy cases filed by or against the debtor within the last 8 years?

☒ No.

☐ Yes.

If more than 2 cases, attach a separate list.

District	_____	When	_____	Case number	_____
District	_____	When	_____	Case number	_____

10. Are any bankruptcy cases pending or being filed by a business partner or an affiliate of the debtor?

☒ No

☐ Yes.

List all cases. If more than 1, attach a separate list

Debtor	_____	Relationship	_____
District	_____	When	_____
		Case number, if known	_____

Debtor The Falls at Elk Grove, LLC, a California limited liability company
Name

11. Why is the case filed in this district?

Check all that apply:

- ☒ Debtor has had its domicile, principal place of business, or principal assets in this district for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other district.
- ☐ A bankruptcy case concerning debtor's affiliate, general partner, or partnership is pending in this district.

12. Does the debtor own or have possession of any real property or personal property that needs immediate attention?

☒ No

☐ Yes. Answer below for each property that needs immediate attention. Attach additional sheets if needed.

Why does the property need immediate attention? (Check all that apply.)

☐ It poses or is alleged to pose a threat of imminent and identifiable hazard to public health or safety.

What is the hazard?

☐ It needs to be physically secured or protected from the weather.

☐ It includes perishable goods or assets that could quickly deteriorate or lose value without attention (for example, livestock, seasonal goods, meat, dairy, produce, or securities-related assets or other options).

☐ Other

Where is the property?

Number, Street, City, State & ZIP Code

Is the property insured?

☐ No

☐ Yes. Insurance agency

Contact name

Phone

Statistical and administrative information

13. Debtor's estimation of available funds

Check one:

- ☒ Funds will be available for distribution to unsecured creditors.
- ☐ After any administrative expenses are paid, no funds will be available to unsecured creditors.

14. Estimated number of creditors

☒ 1-49

☐ 50-99

☐ 100-199

☐ 200-999

☐ 1,000-5,000

☐ 5001-10,000

☐ 10,001-25,000

☐ 25,001-50,000

☐ 50,001-100,000

☐ More than 100,000

15. Estimated Assets

☐ \$0 - \$50,000

☐ \$50,001 - \$100,000

☐ \$100,001 - \$500,000

☐ \$500,001 - \$1 million

☐ \$1,000,001 - \$10 million

☒ \$10,000,001 - \$50 million

☐ \$50,000,001 - \$100 million

☐ \$100,000,001 - \$500 million

☐ \$500,000,001 - \$1 billion

☐ \$1,000,000,001 - \$10 billion

☐ \$10,000,000,001 - \$50 billion

☐ More than \$50 billion

16. Estimated liabilities

☐ \$0 - \$50,000

☐ \$50,001 - \$100,000

☐ \$100,001 - \$500,000

☐ \$500,001 - \$1 million

☒ \$1,000,001 - \$10 million

☐ \$10,000,001 - \$50 million

☐ \$50,000,001 - \$100 million

☐ \$100,000,001 - \$500 million

☐ \$500,000,001 - \$1 billion

☐ \$1,000,000,001 - \$10 billion

☐ \$10,000,000,001 - \$50 billion

☐ More than \$50 billion

Debtor: The Falls at Elk Grove, LLC, a California limited liability
company
Name

Case number (if known)

Request for Relief, Declaration, and Signatures

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 132, 1341, 1519, and 3571.

**17. Declaration and signature
of authorized
representative of debtor**

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

I have been authorized to file this petition on behalf of the debtor.

I have examined the information in this petition and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 05/30/2018
MM/DD/YYYY

X 
Signature of authorized representative of debtor

Steven L. Down
Printed name

Title Chief Executive Officer

18. Signature of attorney

X 
Signature of attorney for debtor

Date 30-May-2018
MM/DD/YYYY

Walter R. Dahl
Printed name

Dahl Law, Attorneys at Law
Firm name

2304 N Street
Sacramento, CA 95816
Number, Street, City, State & ZIP Code

Contact phone 916-446-8800 Email address

CSB No. 102186 CA
Bar number and State

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 202

Declaration Under Penalty of Perjury for Non-Individual Debtors

12/15

An individual who is authorized to act on behalf of a non-individual debtor, such as a corporation or partnership, must sign and submit this form for the schedules of assets and liabilities, any other document that requires a declaration that is not included in the document, and any amendments of those documents. This form must state the individual's position or relationship to the debtor, the identity of the document, and the date. Bankruptcy Rules 1008 and 9011.

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

Declaration and signature

I am the president, another officer, or an authorized agent of the corporation; a member or an authorized agent of the partnership; or another individual serving as a representative of the debtor in this case.

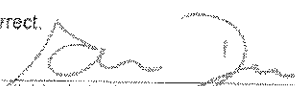
I have examined the information in the documents checked below and I have a reasonable belief that the information is true and correct:

- ☒ *Schedule A/B: Assets—Real and Personal Property* (Official Form 206A/B)
- ☒ *Schedule D: Creditors Who Have Claims Secured by Property* (Official Form 206D)
- ☒ *Schedule E/F: Creditors Who Have Unsecured Claims* (Official Form 206E/F)
- ☒ *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G)
- ☒ *Schedule H: Codebtors* (Official Form 206H)
- ☐ *Summary of Assets and Liabilities for Non-Individuals* (Official Form 206Sum)
- ☐ *Amended Schedule*
- ☒ *Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders* (Official Form 204)
- ☐ Other document that requires a declaration _____

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 05/30/2018

x


Signature of individual signing on behalf of debtor

Steven L. Down
Printed name

Chief Executive Officer
Position or relationship to debtor

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206A/B Schedule A/B: Assets - Real and Personal Property

12/15

Disclose all property, real and personal, which the debtor owns or in which the debtor has any other legal, equitable, or future interest. Include all property in which the debtor holds rights and powers exercisable for the debtor's own benefit. Also include assets and properties which have no book value, such as fully depreciated assets or assets that were not capitalized. In Schedule A/B, list any executory contracts or unexpired leases. Also list them on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G).

Be as complete and accurate as possible. If more space is needed, attach a separate sheet to this form. At the top of any pages added, write the debtor's name and case number (if known). Also identify the form and line number to which the additional information applies. If an additional sheet is attached, include the amounts from the attachment in the total for the pertinent part.

For Part 1 through Part 11, list each asset under the appropriate category or attach separate supporting schedules, such as a fixed asset schedule or depreciation schedule, that gives the details for each asset in a particular category. List each asset only once. In valuing the debtor's interest, do not deduct the value of secured claims. See the instructions to understand the terms used in this form.

Part 1: Cash and cash equivalents

1. Does the debtor have any cash or cash equivalents?

- ☒ No. Go to Part 2.
☐ Yes Fill in the information below.

All cash or cash equivalents owned or controlled by the debtor

Current value of
debtor's interest

Part 2: Deposits and Prepayments

6. Does the debtor have any deposits or prepayments?

- ☒ No. Go to Part 3.
☐ Yes Fill in the information below.

Part 3: Accounts receivable

10. Does the debtor have any accounts receivable?

- ☒ No. Go to Part 4.
☐ Yes Fill in the information below.

Part 4: Investments

13. Does the debtor own any investments?

- ☒ No. Go to Part 5.
☐ Yes Fill in the information below.

Part 5: Inventory, excluding agriculture assets

18. Does the debtor own any inventory (excluding agriculture assets)?

- ☒ No. Go to Part 6.
☐ Yes Fill in the information below.

Part 6: Farming and fishing-related assets (other than titled motor vehicles and land)

27. Does the debtor own or lease any farming and fishing-related assets (other than titled motor vehicles and land)?

- ☒ No. Go to Part 7.

Debtor The Falls at Elk Grove, LLC, a California limited liability company
Name _____ Case number (If known) _____

☐ Yes Fill in the information below.

Part 7: Office furniture, fixtures, and equipment; and collectibles

38. Does the debtor own or lease any office furniture, fixtures, equipment, or collectibles?

- ☒ No. Go to Part 8.
☐ Yes Fill in the information below.

Part 8: Machinery, equipment, and vehicles

46. Does the debtor own or lease any machinery, equipment, or vehicles?

- ☒ No. Go to Part 9.
☐ Yes Fill in the information below.

Part 9: Real property

54. Does the debtor own or lease any real property?

- ☐ No. Go to Part 10.
☒ Yes Fill in the information below.

55. Any building, other improved real estate, or land which the debtor owns or in which the debtor has an interest

Description and location of property Include street address or other description such as Assessor Parcel Number (APN), and type of property (for example, acreage, factory, warehouse, apartment or office building, if available).	Nature and extent of debtor's interest in property	Net book value of debtor's interest (Where available)	Valuation method used for current value	Current value of debtor's interest
55.1. Nonresidential Real Property Event Center; Two buildings totalling 27,000 sq ft rentable space located on two parcels totalling 4.99 acres. APNs: 132-2130-004 / 132-2130-005 8280 / 8290 Elk Grove Blvd. Elk Grove, CA 95828	Fee Simple	\$0.00		\$15,000,000.00

56. Total of Part 9.

Add the current value on lines 55.1 through 55.6 and entries from any additional sheets.
Copy the total to line 88.

\$15,000,000.00

57. Is a depreciation schedule available for any of the property listed in Part 9?

- ☒ No
☐ Yes

58. Has any of the property listed in Part 9 been appraised by a professional within the last year?

- ☒ No
☐ Yes

Part 10: Intangibles and intellectual property

Debtor The Falls at Elk Grove, LLC, a California limited liability company Case number (If known)
Name

59. Does the debtor have any interests in intangibles or intellectual property?

- ☒ No. Go to Part 11.
☐ Yes Fill in the information below.

Part 11: All other assets

70. Does the debtor own any other assets that have not yet been reported on this form?

Include all interests in executory contracts and unexpired leases not previously reported on this form.

- ☒ No. Go to Part 12.
☐ Yes Fill in the information below.

Debtor The Falls at Elk Grove, LLC, a California limited liability company
Name _____ Case number (If known) _____

Part 12: Summary

In Part 12 copy all of the totals from the earlier parts of the form

Type of property	Current value of personal property	Current value of real property
80. Cash, cash equivalents, and financial assets. <i>Copy line 5, Part 1</i>	\$0.00	
81. Deposits and prepayments. <i>Copy line 9, Part 2.</i>	\$0.00	
82. Accounts receivable. <i>Copy line 12, Part 3.</i>	\$0.00	
83. Investments. <i>Copy line 17, Part 4.</i>	\$0.00	
84. Inventory. <i>Copy line 23, Part 5.</i>	\$0.00	
85. Farming and fishing-related assets. <i>Copy line 33, Part 6.</i>	\$0.00	
86. Office furniture, fixtures, and equipment; and collectibles. <i>Copy line 43, Part 7.</i>	\$0.00	
87. Machinery, equipment, and vehicles. <i>Copy line 51, Part 8.</i>	\$0.00	
88. Real property. <i>Copy line 56, Part 9.....></i>		\$15,000,000.00
89. Intangibles and intellectual property. <i>Copy line 66, Part 10.</i>	\$0.00	
90. All other assets. <i>Copy line 78, Part 11.</i>	+ \$0.00	
91. Total. Add lines 80 through 90 for each column	\$0.00	+ 91b. \$15,000,000.00
92. Total of all property on Schedule A/B. Add lines 91a+91b=92		\$15,000,000.00

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known)

☐ Check if this is an amended filing

Official Form 206D

Schedule D: Creditors Who Have Claims Secured by Property

12/15

Be as complete and accurate as possible.

1. Do any creditors have claims secured by debtor's property?

☐ No. Check this box and submit page 1 of this form to the court with debtor's other schedules. Debtor has nothing else to report on this form.

☒ Yes. Fill in all of the information below.

Part 1: List Creditors Who Have Secured Claims

2. List in alphabetical order all creditors who have secured claims. If a creditor has more than one secured claim, list the creditor separately for each claim.

		Column A Amount of claim Do not deduct the value of collateral.	Column B Value of collateral that supports this claim	
2.1	<div>Eagle Group Finance, L.P. <small>Creditor's Name</small> 12100 Wilshire Blvd., Suite 520 Los Angeles, CA 90025 <small>Creditor's mailing address</small> <small>Creditor's email address, if known</small> Date debt was incurred Last 4 digits of account number Do multiple creditors have an interest in the same property? <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes. Specify each creditor, including this creditor and its relative priority. 1. Sacramento County Tax Collector 2. Eagle Group Finance, L.P. 3. The Falls Event Center, LLC</div>	<div>Describe debtor's property that is subject to a lien Nonresidential Real Property Event Center APNs: 132-2130-004 / 132-2130-005 8280 / 8290 Elk Grove Blvd., Elk Grove, CA 95828 Describe the lien Deed of Trust Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H) As of the petition filing date, the claim is: Check all that apply <input type="checkbox"/> Contingent <input type="checkbox"/> Unliquidated <input checked="" type="checkbox"/> Disputed</div>	\$7,953,228.21	\$15,000,000.00

2.2	<div>Sacramento County Tax Collector <small>Creditor's Name</small> PO Box 508 Sacramento, CA 95812-0508 <small>Creditor's mailing address</small> <small>Creditor's email address, if known</small></div>	<div>Describe debtor's property that is subject to a lien Nonresidential Real Property Event Center APNs: 132-2130-004 / 132-2130-005 8280 / 8290 Elk Grove Blvd., Elk Grove, CA 95828 Describe the lien Secured Property Taxes Is the creditor an insider or related party? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes Is anyone else liable on this claim?</div>	\$333,488.48	\$15,000,000.00
-----	---	---	--------------	-----------------

Debtor	The Falls at Elk Grove, LLC, a California limited liability company	Case number (if know)	
	Name		
Date debt was incurred	<input checked="" type="checkbox"/> No		
	<input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H)		
Last 4 digits of account number			
0005			
Do multiple creditors have an interest in the same property?	As of the petition filing date, the claim is:		
<input type="checkbox"/> No	Check all that apply		
<input checked="" type="checkbox"/> Yes. Specify each creditor, including this creditor and its relative priority.	<input type="checkbox"/> Contingent		
Specified on line 2.1	<input type="checkbox"/> Unliquidated		
	<input type="checkbox"/> Disputed		

2.3	The Falls Event Center, LLC	Describe debtor's property that is subject to a lien	Unknown	\$15,000,000.00
	Creditor's Name	Nonresidential Real Property Event Center		
		APNs: 132-2130-004 / 132-2130-005		
		8280 / 8290 Elk Grove Blvd., Elk Grove, CA		
		95828		
	9067 South 1300 West, Suite 301	Creditor holds a secured interest in property as agent for convertible secured noteholder investors.		
	West Jordan, UT 84088			
	Creditor's mailing address			
		Describe the lien		
		Deed of Trust		
		Is the creditor an insider or related party?		
		<input checked="" type="checkbox"/> No		
		<input type="checkbox"/> Yes		
		Is anyone else liable on this claim?		
		<input checked="" type="checkbox"/> No		
		<input type="checkbox"/> Yes. Fill out <i>Schedule H: Codebtors</i> (Official Form 206H)		
		As of the petition filing date, the claim is:		
		Check all that apply		
		<input type="checkbox"/> Contingent		
		<input type="checkbox"/> Unliquidated		
		<input type="checkbox"/> Disputed		

3. Total of the dollar amounts from Part 1, Column A, including the amounts from the Additional Page, if any. \$8,286,716.69

Part 2: List Others to Be Notified for a Debt Already Listed in Part 1

List in alphabetical order any others who must be notified for a debt already listed in Part 1. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for secured creditors.

If no others need to be notified for the debts listed in Part 1, do not fill out or submit this page. If additional pages are needed, copy this page.

Name and address	On which line in Part 1 did you enter the related creditor?	Last 4 digits of account number for this entity
Brian Good iBorrow 12100 Wilshire Blvd., Suite 520 Los Angeles, CA 90025	Line <u>2.1</u>	
Fidelity National Title Company 1101 Investment Blvd., Suite 170 El Dorado Hills, CA 95762	Line <u>2.1</u>	

Debtor	The Falls at Elk Grove, LLC, a California limited liability company <small>Name</small>	Case number (if know)
	Glenn D. Taxman Much Shelist 2 Park Plaza, Suite 1075 Irvine, CA 92614	Line <u>2.1</u>

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206E/F

Schedule E/F: Creditors Who Have Unsecured Claims

12/15

Be as complete and accurate as possible. Use Part 1 for creditors with PRIORITY unsecured claims and Part 2 for creditors with NONPRIORITY unsecured claims. List the other party to any executory contracts or unexpired leases that could result in a claim. Also list executory contracts on *Schedule A/B: Assets - Real and Personal Property* (Official Form 206A/B) and on *Schedule G: Executory Contracts and Unexpired Leases* (Official Form 206G). Number the entries in Parts 1 and 2 in the boxes on the left. If more space is needed for Part 1 or Part 2, fill out and attach the Additional Page of that Part included in this form.

Part 1: List All Creditors with PRIORITY Unsecured Claims

1. Do any creditors have priority unsecured claims? (See 11 U.S.C. § 507).

☒ No. Go to Part 2.

☐ Yes. Go to line 2.

Part 2: List All Creditors with NONPRIORITY Unsecured Claims

3. List in alphabetical order all of the creditors with nonpriority unsecured claims. If the debtor has more than 6 creditors with nonpriority unsecured claims, fill out and attach the Additional Page of Part 2.

3.1 Nonpriority creditor's name and mailing address

As of the petition filing date, the claim is: Check all that apply.

- ☐ Contingent
- ☐ Unliquidated
- ☐ Disputed

Date or dates debt was incurred _____

Last 4 digits of account number _____

Basis for the claim: _____

Is the claim subject to offset? ☐ No ☐ Yes

Part 3: List Others to Be Notified About Unsecured Claims

4. List in alphabetical order any others who must be notified for claims listed in Parts 1 and 2. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for unsecured creditors.

If no others need to be notified for the debts listed in Parts 1 and 2, do not fill out or submit this page. If additional pages are needed, copy the next page.

Name and mailing address

On which line in Part 1 or Part 2 is the related creditor (if any) listed?

Last 4 digits of account number, if any

Part 4: Total Amounts of the Priority and Nonpriority Unsecured Claims

5. Add the amounts of priority and nonpriority unsecured claims.

5a. Total claims from Part 1

5b. Total claims from Part 2

5c. Total of Parts 1 and 2
Lines 5a + 5b = 5c.

Total of claim amounts	
5a.	\$ 0.00
5b. +	\$ 0.00
5c.	\$ 0.00

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206G

Schedule G: Executory Contracts and Unexpired Leases

12/15

Be as complete and accurate as possible. If more space is needed, copy and attach the additional page, number the entries consecutively.

1. Does the debtor have any executory contracts or unexpired leases?

☐ No. Check this box and file this form with the debtor's other schedules. There is nothing else to report on this form.

☒ Yes. Fill in all of the information below even if the contacts of leases are listed on *Schedule A/B: Assets - Real and Personal* (Official Form 206A/B). *Property*

2. List all contracts and unexpired leases

State the name and mailing address for all other parties with whom the debtor has an executory contract or unexpired lease

2.1. State what the contract or lease is for and the nature of the debtor's interest Nonresidential Real Property Lease; Debtor is landlord.

State the term remaining Perpetual

List the contract number of any government contract _____

The Falls Event Center, LLC
9067 South 1300 West, Suite 301
West Jordan, UT 84088

Fill in this information to identify the case:

Debtor name The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known) _____

☐ Check if this is an amended filing

Official Form 206H

Schedule H: Your Codebtors

12/15

Be as complete and accurate as possible. If more space is needed, copy the Additional Page, numbering the entries consecutively. Attach the Additional Page to this page.

1. Do you have any codebtors?

- ☐ No. Check this box and submit this form to the court with the debtor's other schedules. Nothing else needs to be reported on this form.
- ☒ Yes

2. In Column 1, list as codebtors all of the people or entities who are also liable for any debts listed by the debtor in the schedules of creditors, Schedules D-G. Include all guarantors and co-obligors. In Column 2, identify the creditor to whom the debt is owed and each schedule on which the creditor is listed. If the codebtor is liable on a debt to more than one creditor, list each creditor separately in Column 2.

Column 1: Codebtor		Column 2: Creditor	
Name	Mailing Address	Name	Check all schedules that apply:
2.1 eFalls Properties Fresno CA, LLC	9067 South 1300 West, Suite 301 West Jordan, UT 84088	Eagle Group Finance, L.P.	<input type="checkbox"/> D _____ <input type="checkbox"/> E/F _____ <input type="checkbox"/> G _____
2.2 The Falls at St. George, LLC	9067 South 1300 West, Suite 301 West Jordan, UT 84088	Eagle Group Finance, L.P.	<input type="checkbox"/> D _____ <input type="checkbox"/> E/F _____ <input type="checkbox"/> G _____

Fill in this information to identify the case:

Debtor name

The Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the:

EASTERN DISTRICT OF CALIFORNIA

Case number (if known)

☐ Check if this is an amended filing

Official Form 206Sum

Summary of Assets and Liabilities for Non-Individuals

12/15

Part 1: Summary of Assets

1. Schedule A/B: Assets-Real and Personal Property (Official Form 206A/B)
- 1a. Real property:

Copy line 88 from Schedule A/B.....

\$15,000,000.00
- 1b. Total personal property:

Copy line 91A from Schedule A/B.....

\$0.00
- 1c. Total of all property:

Copy line 92 from Schedule A/B.....

\$15,000,000.00

Part 2: Summary of Liabilities

2. Schedule D: Creditors Who Have Claims Secured by Property (Official Form 206D)
- Copy the total dollar amount listed in Column A, Amount of claim, from line 3 of Schedule D.....
- \$8,286,716.69
3. Schedule E/F: Creditors Who Have Unsecured Claims (Official Form 206E/F)
- 3a. Total claim amounts of priority unsecured claims:

Copy the total claims from Part 1 from line 5a of Schedule E/F.....

\$0.00
- 3b. Total amount of claims of nonpriority amount of unsecured claims:

Copy the total of the amount of claims from Part 2 from line 5b of Schedule E/F.....

+\$0.00
4. Total liabilities
- Lines 2 + 3a + 3b
- \$8,286,716.69

Fill in this information to identify the case:

Debtor nameThe Falls at Elk Grove, LLC, a California limited liability company

United States Bankruptcy Court for the: EASTERN DISTRICT OF CALIFORNIA

Case number (if known):

☐ Check if this is an amended filing

Official Form 204

Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders

12/15

A list of creditors holding the 20 largest unsecured claims must be filed in a Chapter 11 or Chapter 9 case. Include claims which the debtor disputes. Do not include claims by any person or entity who is an insider, as defined in 11 U.S.C. § 101(31). Also, do not include claims by secured creditors, unless the unsecured claim resulting from inadequate collateral value places the creditor among the holders of the 20 largest unsecured claims.

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
-NONE-						

United States Bankruptcy Court
Eastern District of California

In re The Falls at Elk Grove, LLC, a California limited liability company
Debtor(s)

Case No.
Chapter

11

LIST OF EQUITY SECURITY HOLDERS

Following is the list of the Debtor's equity security holders which is prepared in accordance with rule 1007(a)(3) for filing in this Chapter 11 Case

Name and last known address or place of business of holder	Security Class	Number of Securities	Kind of Interest
The Falls Event Center, LLC 9067 South 1300 West, Suite 301 West Jordan, UT 84088			100% Membership Interest

DECLARATION UNDER PENALTY OF PERJURY ON BEHALF OF CORPORATION OR PARTNERSHIP

I, the Chief Executive Officer of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing List of Equity Security Holders and that it is true and correct to the best of my information and belief.

Date

05/30/2018

Signature

Steven L. Down

*Penalty for making a false statement of concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.*

2

Walter R. Dahl, CSB No. 102186 [wdahl@DahlLaw.net]

DAHL LAW, ATTORNEYS AT LAW

2304 "N" Street

Sacramento, CA 95816-5716

Telephone: (916) 446-8800

Telecopier: (916) 741-3346

Attorneys for The Falls at Elk Grove, LLC,
a California limited liability company

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION**

In Re:

Case No.:

**The Falls at Elk Grove, LLC, a
California limited liability company**

8280 Elk Grove Blvd., Elk Grove, CA 95758

CA SOS File No.: 201612710220

Debtor(s).

ATTORNEY'S DISCLOSURE OF COMPENSATION
[11 U.S.C. §329(a); Fed. R. Bank. P. 2016(b)]

The undersigned, pursuant to 11 U.S.C. §329(a) and Fed. R. Bank. P. 2016(b), states:

1. Dahl Law, Attorneys at Law ("Counsel"), is the attorney for Debtor(s) in this case.
2. The compensation paid to Counsel within one year before the filing of the petition in bankruptcy, or agreed to be paid to Counsel, is as follows:

a. For legal services rendered or to be rendered on behalf of Debtor(s) in contemplation of and in connection with this case:

- ☐ A fixed fee of \$ _____, which includes the filing fee.
- ☒ An indeterminate fee to be computed at Counsel's standard hourly rates and costs.

b. Prior to the date of this Statement, Counsel has received the sum of \$40,000.00.

☒ Of that sum, \$9,042.00 was paid to Counsel for pre-petition legal services, and billed pre-petition to Debtor(s) at Counsel's standard hourly rates and costs.

1 c. The unpaid balance due and payable is:

- 2 ☐ \$ _____.
- 3 ☒ Not determinable at this time.

4 d. In the event the case is converted from a case under Chapter 11 to a case under Chapter 7,
5 Counsel has agreed to provide post-conversion services for a lump sum fixed fee in the amount of
\$5,000.00. Such fee shall be deemed earned immediately prior to conversion from Chapter 11 to
Chapter 7 and shall be treated as a Chapter 11 administrative expense subject to court approval.

6 3. From the funds tendered to Counsel disclosed above, Counsel has paid the filing fee of:

- 7 ☐ \$ 335.00 [Chapter 7]
- 8 ☒ \$1,717.00 [Chapter 11]
- ☐ \$ 310.00 [Chapter 13]

9 4. The source of payments made to Counsel was from:

- 10 ☐ Debtor(s)
- 11 ☒ Other [specify]: The Falls Event Center, LLC, a Utah limited liability company.

12 5. The source of payments to be made to Counsel for the unpaid balance remaining, if any, will be from:

- 13 ☐ Debtor(s)
- 14 ☒ Other [specify]: The Falls Event Center, LLC, a Utah limited liability company.

15 6. Other than the payments referenced above, Counsel has received no transfer, assignment or pledge
16 of property from or on behalf of Debtor(s) except the following for the value stated:

- 17 ☐ None
- 18 ☒ Counsel has been granted a security interest in all funds held by Counsel as an advance,
19 retainer or periodic payment toward attorneys fees and costs incurred or to be incurred in its
20 representation of Debtor(s).
- 21 ☐ Other [specify] _____.

22 7. Counsel has not shared or agreed to share with any other entity, other than with members and
23 employees of Counsel, any compensation paid or to be paid except as follows:

- 24 ☒ None
- 25 ☐ Other [specify & attach agreement] _____.

26 Dated: May 30, 2018

DAHL LAW,
ATTORNEYS AT LAW

27 By: /s/ Walter R. Dahl
Walter R. Dahl
Attorneys for The Falls at Elk Grove, LLC,
a California limited liability company

Exhibit 6
[Minute Entry]

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
CIVIL MINUTES

Case Title: The Falls at Elk Grove, LLC, a California limited liability company

Case No.: 18-23387 - D - 11

Docket Control No. FWP-1

Date: 07/11/2018

Time: 10:00 AM

Matter: [18] - Motion/Application to Dismiss Case [FWP-1] Filed by Creditor iBorrow, L.P. (smis)

Judge: Robert S. Bardwil
Courtroom Deputy: Nancy Williams
Reporter: Electronic Record
Department: D

APPEARANCES for:

Movant(s):

Creditor's Attorney - Jason E. Rios

Respondent(s):

(by phone) Debtor's Attorney - Walter R. Dahl

CIVIL MINUTES

Motion Granted and case dismissed.

Findings of fact and conclusions of law stated orally on the record

The court will issue an order.

Final ruling:

This is the motion of the debtor's major secured creditor, iBorrow, L.P., to dismiss this chapter 11 case. The debtor has filed opposition and iBorrow has filed a reply. For the following reasons, the court intends to grant the motion.

It appears undisputed that the classic (albeit non-exclusive) factors the courts consider in determining whether to dismiss a chapter 11 case (or to convert the case or appoint a chapter 11 trustee) are present in this case. The debtor has a single asset. It has no unsecured creditors and only one secured creditor besides iBorrow that is not an insider (the Sacramento County Tax Collector). The debtor has no cash or other financial assets, no bank accounts,

no receivables, no ongoing business, no employees, and no apparent sources of income. The debtor did not take title to its only asset - certain real property in Elk Grove, California - until the morning of the day it filed this case, which, in turn, was the day before iBorrow's scheduled foreclosure sale.

The debtor claims it was formed two years ago (and its predecessor entity was dissolved), but the formal transfer of the real property into the debtor entity was "overlooked" until the day before the bankruptcy filing. However, even assuming such is the case, the debtor's sole purpose was to merely hold the real property, not to manage any business on the property or even to collect rents from the entity that operated the two event centers located on the real property, an entity that was and is also the 100% owner of the debtor. In fact, the debtor has never even utilized or maintained a bank account. From the record it is clear the debtor is nothing more than a holding entity which has never conducted any type of business or business activity.

This conclusion is further supported by the debtor's initial status report. The report stated the debtor's event centers are among 14 event centers at eight locations in several states. "All of the center locations are separate entities, and the operations and management of each center are performed by the 'parent' company, The Falls Event Center, LLC." Debtor's Chapter 11 Preliminary Status Report, filed June 8, 2018, at 3:12-20. The parent rents out the event centers to members of the general public, handling bookings, collections of deposits and rental fees, staffing, the providing of furniture and equipment for booked events, insurance, and maintenance.

Noticeable by its absence, is that the debtor has failed to disclose anywhere the income the parent received from operating the events centers in Elk Grove, along with its expenses, its assets related to those two events centers, and so on. The debtor did not make those disclosures, leaving the court and creditors with no idea what range of income the facilities generate, what expenses they incur, or what assets and liabilities the business, run by the parent company, itself has.

Finally, but importantly, the debtor states in its initial status report it did not expect to have to confirm a plan by way of a cram-down. However, iBorrow's action in this case suggests just the contrary, and the debtor has not suggested any way it can confirm a plan over iBorrow's objection. This alone gives the court serious concern as to whether the debtor has any chance for a successful reorganization.

For the reasons stated, the court finds cause exists for dismissal, conversion, or appointment of a chapter 11 trustee. It appears dismissal is in the best interest of creditors. The only real creditor has weighed in - iBorrow - and requests dismissal. The court will hear from other creditors, particularly the only other non-insider creditor, if any appear at the hearing.

Exhibit 7
[Appraisal]

BBG



The Falls Event Center

Event Center
8280 and 8290 Elk Grove Boulevard
Elk Grove, California 95828

BBG File #0118006645

Prepared For

Jason Rios
Felderstein Fitzgerald Willoughby & Pascuzzi LLP
400 Capitol Mall, Suite 1750,
Sacramento, CA 95814

Report Date

July 27, 2018

Prepared By

BBG, Inc., Northern California
Sacramento Office
1708 Q Street
Sacramento, CA 95811
Client Manager: Scott Beebe, MAI, FRICS
Ph: (925) 588-7641



VALUATION



ADVISORY



ASSESSMENT



July 27, 2018

Jason Rios
Felderstein Fitzgerald Willoughby & Pascuzzi LLP
400 Capitol Mall, Suite 1750,
Sacramento, CA 95814

Re: Appraisal of Real Property
The Falls Event Center
8280 and 8290 Elk Grove Boulevard
Elk Grove, California 95828
BBG File #0118006645

Dear Mr. Rios,

In accordance with your authorization, BBG Northern California is pleased to submit an appraisal of the above-referenced property. The purpose of this appraisal is to develop the following opinions of value:

- Market Value As Is as of July 18, 2018 - Fee Simple

The intended use of this appraisal report is to assist the bankruptcy court in the asset valuation. The intended users include Felderstein Fitzgerald Willoughby & Pascuzzi LLP, Kirton McConkie, iborrow, L. P. and the federal bankruptcy court.

The subject property consists of two commercial buildings on separate parcels located in the city of Elk Grove, Sacramento County, California. Each building contains 13,387 square feet of building area and have identical floorplans and finishes. The improvements were constructed in 2014. The property is owner-occupied with the buildings being rented out hourly/daily to individuals and businesses for meetings and events. The site area is 4.55 acres or 198,198 square feet.

An entity related to the real property owner operates the business known as The Falls Event Center at the subject. This business has been operating at the property since early 2015. Given the special use nature of the real estate improvements it was necessary to evaluate the financial performance of the owner's business at the subject property. Some extracts of various financials reports were provided for the past several years. A review of the unaudited financial records provided revealed the event center business at the subject has generated a low profit over the past several years. Without evidence of sufficient profit to support a reasonable return to the real estate value the event center business is an uncertain use for the property. The low profitability as an event center warranted an analysis of alternative real property uses of the property given the improvements are specific to the event center operation. Our analysis indicated the highest and best use of the subject property would be for conversion to office use. The valuation of the subject was completed under this highest and best use conclusion.

This appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute. Only the Client, Felderstein Fitzgerald Willoughby & Pascuzzi LLP, their successors and/or assigns and the other intended users may rely upon the findings and conclusions of this report.

BBG – NORTHERN CALIFORNIA

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Jason Rios
July 27, 2018
Page 2

Based on our inspection of the property and the investigation and the analysis undertaken, we have developed the following value opinion(s).

VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	July 18, 2018	\$6,400,000

Our estimate of market value is subject to the following Extraordinary Assumptions and/or Hypothetical Conditions:

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The values presented within this appraisal report are subject to the extraordinary assumptions and/or hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice (USPAP, 2018-2019 Edition) Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s):

1. None

Hypothetical Condition(s):

1. None

BBG Northern California appreciates the opportunity to have performed this appraisal assignment on your behalf. If we may be of further service, please contact us.

Sincerely,
BBG, Inc.



Scott Beebe, MAI, FRICS
California Certified General Appraiser
No. AG 015266
Ph: (925) 588-7641
Email: sbeebe@bbgres.com

BBG - NORTHERN CALIFORNIA

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SUBJECT PHOTOS & MAP



Front Entrance
(Photo Taken on July 18, 2018)



Side Exterior
(Photo Taken on July 18, 2018)



Front Door
(Photo Taken on July 18, 2018)



Exterior Side
(Photo Taken on July 18, 2018)



Rear Building
(Photo Taken on July 18, 2018)



Exterior Side Patio
(Photo Taken on July 18, 2018)



Rear Building
(Date of Photo: July 18, 2018)



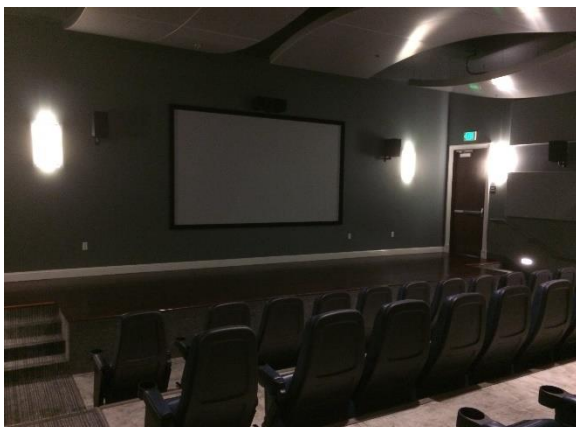
Main Lobby
(Date of Photo: July 18, 2018)



Large Reception Hall
(Date of Photo: July 18, 2018)



Back room
(Date of Photo: July 18, 2018)



Theater room
(Date of Photo: July 18, 2018)



Meeting room
(Date of Photo: July 18, 2018)



Women's Restroom
(Date of Photo: July 18, 2018)



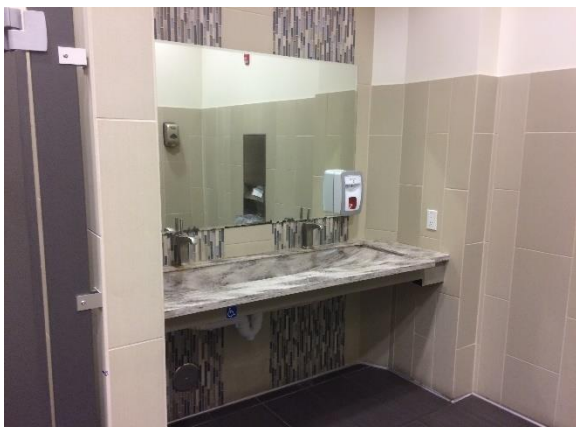
Conference Room
(Date of Photo: July 18, 2018)



Private room
(Date of Photo: July 18, 2018)



Meeting Room
(Date of Photo: July 18, 2018)



Men's Restroom
(Date of Photo: July 18, 2018)



View from Front Entrance
(Date of Photo: July 18, 2018)





AERIAL MAP

SUMMARY OF SALIENT FACTS

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

PROPERTY INFORMATION

Property Name	The Falls Event Center
Location	8280 and 8290 Elk Grove Boulevard Elk Grove, Sacramento County, California 95828
Property Type	Event Center
Owner of Record	Efalls Props Elk Grove CA, LLC
Parcel Number	132-2130-004 and 132-2130-005
Site Area	4.55 acres; 198,198 SF
Zoning Designation	BP, Business Professional Office
Year Built	2014
Gross Building Area	26,774 SF
Rentable Area	26,774 SF
Current Occupancy	100% owner-occupied

APPRAISAL INFORMATION

Date of the Report	July 27, 2018
Effective Date of the Appraisal	July 18, 2018
Property Interest Appraised	Fee Simple
Highest and Best Use - As if Vacant	Office use
Highest and Best Use - As Improved	Conversion from an Event Center to Office Use
Exposure Time; Marketing Period	6 months; 6 months

FINANCIAL INDICATORS AND PRO FORMA OPERATING DATA

Market Value As Is

Stabilized Vacancy & Collection Loss	5%
Effective Gross Income	\$763,059
Operating Expenses	\$281,948
Expense Ratio	36.95%
Net Operating Income	\$481,111
Capitalization Rate	6.00%

SUMMARY OF VALUE INDICATIONS

Market Value Indications		
Sales Comparison Approach	\$6,400,000	(\$239.04/SF)
Income Capitalization Approach	\$6,400,000	(\$239.04/SF)
Market Value Conclusion	\$6,400,000	(\$239.04/SF)

FINAL VALUE CONCLUSIONS

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	July 18, 2018	\$6,400,000

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The values presented within this appraisal report are subject to the extraordinary assumptions and/or hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice (USPAP, 2018-2019 Edition) Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s):

1. None

Hypothetical Condition(s):

1. None

GENERAL INFORMATION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property consists of two commercial buildings on separate parcels located in the city of Elk Grove, Sacramento County, California. Each building contains 13,387 square feet of building area and have identical floorplans and finishes. The improvements were constructed in 2014. The property is owner-occupied with the buildings being rented out hourly/daily to individuals and businesses for meetings and events. The site area is 4.55 acres or 198,198 square feet. The property is identified as follows:

SUBJECT PROPERTY IDENTIFICATION	
Property Name	The Falls Event Center
Address	8280 and 8290 Elk Grove Boulevard Elk Grove, California 95828
Tax ID/APN	132-2130-004 and 132-2130-005
Owner of Record	Efalls Props Elk Grove CA, LLC
Site Area	198,198 square feet (4.55 acres)

PROPERTY HISTORY

Title to the subject is currently vested in Efalls Props Elk Grove CA, LLC. To the best of our knowledge, there have been no sales or transfers involving the subject within the past three years, and the property is not currently listed for sale, in-contract, or encumbered by an option to purchase.

INTENDED USER AND INTENDED USE

The intended use of this appraisal report is to assist the bankruptcy court in the asset valuation. The intended users include Felderstein Fitzgerald Willoughby & Pascuzzi LLP, Kirton McConkie, iborrow, L. P. and the federal bankruptcy court.

PRIOR SERVICES

Per USPAP requirements, we must disclose to the client any services provided in connection with the subject property within the past three years, including requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Another appraiser in our company performed an appraisal of the property in March 2014 for Eagle Group Finance.

PURPOSE OF THE APPRAISAL

As summarized in the transmittal letter, the purpose of this appraisal is to develop an opinion of the market value as is of the fee simple interest in the subject property as of July 18, 2018. The date of the report is July 27, 2018.

PROPERTY RIGHTS APPRAISED

As stated above, our analysis pertains to the fee simple interest in the subject property. This is defined as follows:

- Fee simple: "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

DEFINITION OF MARKET VALUE

Pertinent definitions, including the definition of market value, are included in the glossary, located in the Addenda to this report. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

Source: Interagency Appraisal and Evaluation Guidelines; December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472

LEVEL OF REPORTING DETAIL AND APPLICABLE REQUIREMENTS

Standards Rule 2-2 (Real Property Appraisal, Reporting) contained in USPAP requires each written real property appraisal report to be prepared as either an Appraisal Report or a Restricted Appraisal Report. This report is prepared as an Appraisal Report which, at a minimum, must summarize the appraiser's analysis and the rationale for the conclusions.

As stated in the transmittal letter, this appraisal report was prepared to conform with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics and the Standards of Professional Practice of the Appraisal Institute.

APPRAISER COMPETENCY

No steps were necessary to meet the competency provisions established under USPAP. We have appraised several properties similar to the subject in physical, locational, and economic characteristics, and are familiar with market conditions and trends; therefore, we have adequate experience and qualifications to appraise the subject. Appraiser certifications and qualifications are included in the Addenda of this report.

SCOPE OF WORK

The intended use and intended user(s) of this appraisal report, characteristics and complexity of the subject property, market conditions, widely-accepted methods and practices within the appraisal profession, and other pertinent factors were all considered in our determination of scope of work, which is detailed in the following sections.

VALUATION METHODOLOGY

Appraisers typically consider utilizing the cost, sales, and/or income capitalization approach in developing an opinion of value. The applicability of each approach is determined by the economic characteristics of the property, the availability of reliable data, and the common practice of market participants that reflect the most likely purchaser of the subject property. Based on these criteria, use of the three approaches in this assignment is determined as follows:

The income capitalization approach is an applicable valuation method for the subject due to the following:

- The most probable buyer of the subject property is an owner-user. This buyer profile is unlikely to base purchase price upon the anticipated return on potential income generated by the property, but this method still provides secondary support.
- Sufficient market data regarding income, expenses, and rates of return, is available for analysis.

The sales comparison approach is an applicable valuation method because:

- The most likely buyer is an owner-user who is likely to determine the purchase price of the property based upon pricing for properties of similar physical characteristics and utility.
- There is an active market for similar properties, and sufficient sales data is available for analysis.
- This approach directly considers the prices of alternative properties having similar utility.

The cost approach is not applicable to the assignment considering the following:

- The improvements suffer from functional and economic obsolescence depreciation.
- Market participants for this type of property do not rely on this approach in arriving at values. For these reasons, this approach has not been utilized.

RESEARCH AND ANALYSIS

Over the course of this assignment, we performed extensive research and analysis of the subject, its competitors, and the broader market factors that impact value. The type and extent of our research and analysis is described throughout the report as it pertains to each section. We have made an effort to confirm the pertinent details of each comparable utilized in this analysis with a party to the transaction; however, if in any case we are unable to do so, we have relied upon secondary sources for verification.

INSPECTION DETAILS

Scott Beebe, MAI, FRICS performed an interior and exterior inspection of the subject on July 18, 2018. A representative sampling of interior suites, common areas, and mechanical areas was also inspected. The surrounding neighborhood and comparable properties utilized in our analysis were also inspected.

REGIONAL ANALYSIS

SACRAMENTO MSA

Sacramento is the capital of the State of California and the seat of Sacramento County. The city is located towards the north the California's expansive Central Valley and has an estimated population of just over 500,000, making it the sixth most-populous city in California. The four-county Sacramento MSA has 2.3 million residents, making it the largest MSA in the Central Valley and the fourth largest in California behind greater Los Angeles, the San Francisco Bay Area and San Diego.

Situated approximately 85 miles northeast of San Francisco, Sacramento is at the intersection of two major interstate freeways (I-5 and I-80) and at the confluence of the Sacramento and American rivers. The area is also served by a number of rail lines including the Amtrak Capital Corridor. This, in addition to convenient access to airports, rail and a deep-water port, makes Sacramento well connected both regionally and nationally. Sacramento is increasingly regarded as a leading business location due to its growing, well-educated population, affordable cost of living, plentiful amenities and overall high quality of life.

ECONOMIC OVERVIEW

The resurgence of the local economy since the last recession has established itself across both private and public sectors. Healthcare emerged as a regional economic engine, adding nearly 57,000 jobs in the last 11 years. During the same time frame, Professional Services has added 24,000 jobs while the State Government has added more than 15,000 jobs. Key points relating to the regional economy include the following.

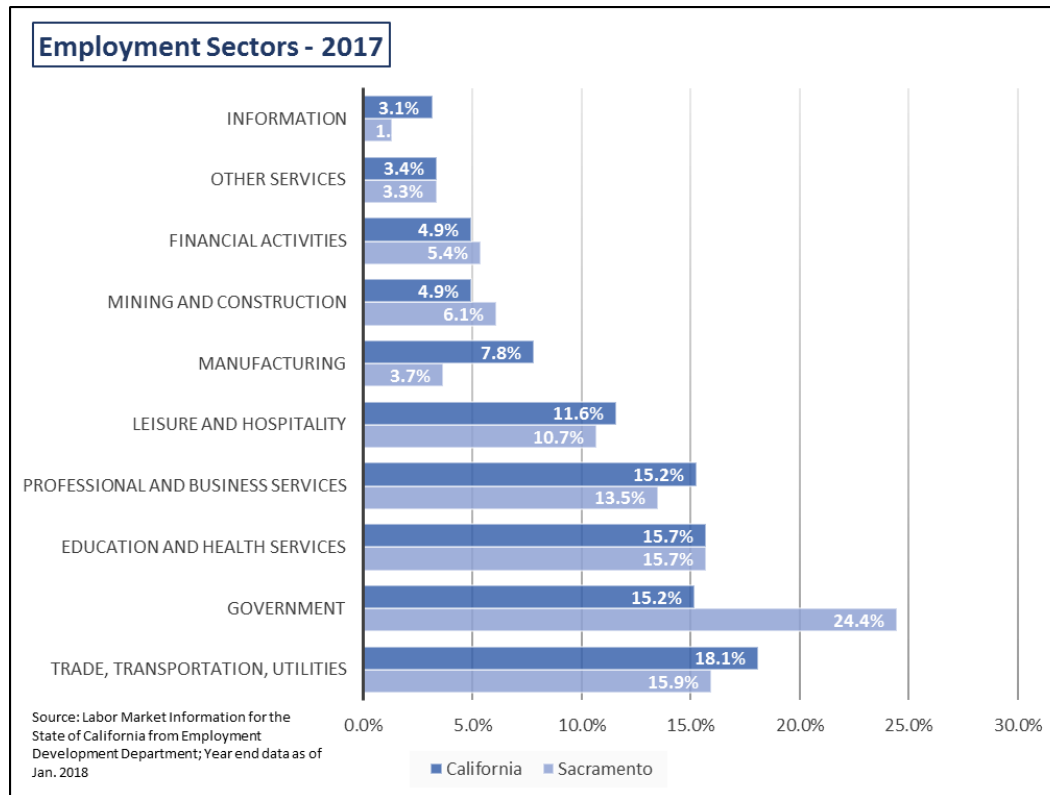
- The regional unemployment has continued to decline and is currently on par (near 4%) with state and national levels. The region experienced net job gains of nearly 21,000 over the past 12 months. The pace of employment growth has slowed but has been steady since middle of 2016.
- Business confidence indexes from various groups suggest continued optimism for 2018. In addition, surveys indicate that consumer sentiment in the region remains positive.
- Commercial real estate fundamentals continue to trend in a positive direction, with vacancy rates declining and rental rates increasing in all property sectors. Investor demand remains high, as out of town buyers continue to scout the region in search of better yields relative to core markets.
- The regional single family residential real estate market continued to trend positive in 2017, with increases in median prices and sales activity. Construction starts and sales of new homes continue to increase, but remain well below historic averages. The current cycle is expected to continue through at least 2019.
- The new Golden 1 Center arena (completed September 2016) is bringing more people downtown, boosting new and existing businesses in the area. The project has continued to be a significant redevelopment catalyst in the downtown area.
- Recent population growth has been close to 1% annually. This is down from the early to mid- 2000's when the region was growing in excess of 2% annually.

EMPLOYMENT

Sacramento's ability to attract and retain quality talent is largely attributed to its two higher-education institutions, the University of California, Davis and California State University, Sacramento. These facilities also help to foster organic growth within the labor force and produce a highly educated workforce for many of the region's leading companies as well as businesses that are relocating from the Bay Area for the relatively affordable space and living costs. As the Bay Area becomes increasingly less affordable and congested, Sacramento will continue to provide a

viable opportunity for a better quality of life to much of that labor force. As a result, the city has begun to attract the employers that desire to be close to this labor pool.

Total civilian employment in Sacramento MSA was 1,041,600 as of January 2018. This represents an increase of 22,100 as compared to one year earlier. The current employment for the MSA is now about 60,000 above the peak employment level in mid-2007 (985,000). There have been year-over year employment gains for the region since April 2012. The following table provides an overview of the major industry sectors within the region.



Employment Trends						
Year	Total Employment (Year End)				Unemployment Rate (Ann. Avg.)	
	Sacramento MSA	% Change	California	% Change	Sacramento MSA	California
2006	984,200		16,789,400		4.6%	4.9%
2007	977,700	-0.7%	16,931,600	0.8%	5.8%	5.4%
2008	959,500	-1.9%	16,854,500	-0.5%	8.6%	7.3%
2009	923,100	-3.8%	16,182,600	-4.0%	11.7%	11.2%
2010	914,000	-1.0%	16,091,900	-0.6%	12.4%	12.2%
2011	932,000	2.0%	16,258,100	1.0%	11.0%	11.7%
2012	945,600	1.5%	16,602,700	2.1%	9.5%	10.4%
2013	956,100	1.1%	16,958,700	2.1%	7.7%	8.9%
2014	978,200	2.3%	17,348,600	2.3%	6.2%	7.5%
2015	1,002,100	2.4%	17,723,300	2.2%	5.3%	6.2%
2016	1,020,200	1.8%	18,065,000	1.9%	4.8%	5.4%
2017	1,041,100	2.0%	18,520,000	2.5%	3.8%	4.2%
Overall Change 2006-2017	56,900	5.8%	1,730,600	10.3%		
Avg. Unemp. Rate 2006-2017					7.6%	7.9%
Unemployment Rate - Jan-2018					4.2%	4.6%

Source: Labor Market Information for the State of California from Employment Development Department. The figures are not seasonally adjusted.

Between February 2017 and January 2018, total employment in the region increased 2.2% (just over 22,000). By way of comparison, total jobs increased by 3% (28,00 jobs) between November 2005 and November 2016.

GOVERNMENT EMPLOYMENT

As the capital of California, a large portion of Sacramento's employment has historically been dominated by the State government and other public-sector employers. Today, State government accounts for over 15% of all nonfarm employment (over 120,000 EE's), while government as a whole employs 25% of the region's labor pool (over 240,000 EE's), which is a very large share by national norms.

With a GDP of \$2.46 trillion in 2016, California moved from 8th to 6th place in the IMF world economy rankings (California is the only state on the list of nations). As California continues to become more of a global player, Sacramento will continue to grow in significance as a city and the seat of the legislative body that governs the state.

PRIVATE SECTOR EMPLOYMENT

Government will always play a significant role in the region's economic base; however, as the population of Sacramento has grown, the economy has become increasingly diverse, attracting major employers in many private sector industries such as professional services, healthcare, education and trade, transportation and utilities. Sacramento has also provided a welcoming environment to many green and clean technology companies. This is largely due to California's progressive environmental policies but also in the provision of the opportunity to influence these policies from within the California state capital.

The strength of the region's labor force coupled with the availability of land, relatively affordable cost of living and ease of access to other major employment hubs continues to make Sacramento a desirable place to conduct business. Major private sector companies that have maintained a strong local presence and continue to have a positive impact on the region's economy are summarized in the following table.

Major Private Employers - Sacramento MSA					
Rank	Company	Local FTE	Rank	Company	Local FTE
1	Sutter Health	16,275	11	Wells Fargo Bank	2,613
2	Kaiser Permanente	16,244	12	Thunder Valley Casino	2,500
3	Dignity Health	8,039	13	Pride Industries	2,450
4	Intel Corp	6,000	14	Cache Creek Casino	2,150
5	Raley's	5,244	15	Hewlett Packard	2,000
6	Apple Inc.	5,000	16	Marshall Medical Center	1,573
7	Safeway	3,573	17	Walgreens	1,547
8	Health Net	3,000	18	Aerojet	1,400
9	VSP Global	2,927	19	Eskaton	1,367
10	PG&E	2,747	20	Blue Shield of California	1,277

Source: Sacramento Business Journal, July 2017

HIGHER EDUCATION

The University of California at Davis, situated 15 miles west of Sacramento, is one of the nation's top public research universities and is ranked tenth amongst public universities nationwide by U.S. News and World Report. The UC Davis School of Medicine is ranked fourth amongst U.S. medical schools in research funding. Currently, more than 35,000 students are enrolled in over 100 undergraduate and 90 graduate programs at UC Davis. An additional 30,000 students are enrolled at California State University, Sacramento which offers 58 undergraduate and 40 graduate programs. Both schools make a significant impact on the higher-education levels of the local labor pool.

POPULATION

The Sacramento MSA has an estimated January 2018 population of 2,325,849, which represents an annual increase of 1% over the 2010 census. This is down from the early to mid- 2000's when the region was growing in excess of 2% annually. Population growth trends within the region are summarized as follows:

Population Trends					
	Population			Compound Ann. % Chng	
	2010 Census	2018 Est.	2023 Est.	2010 - 2018	2017 - 2023
City of Sacramento	466,488	500,558	522,447	0.9%	0.9%
Sacramento MSA	2,149,127	2,325,849	2,434,403	1.0%	0.9%
California	37,253,956	39,695,753	41,305,572	0.8%	0.8%
Source: Claritas, LLC.					

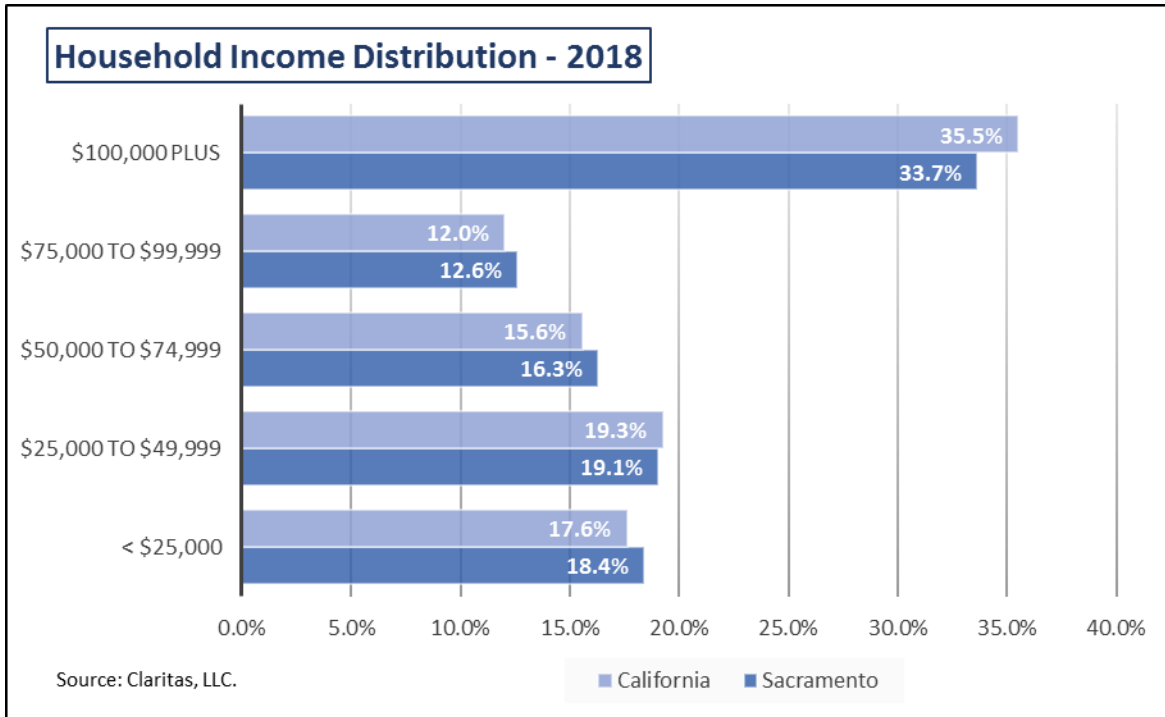
Looking forward, Sacramento MSA's population is projected to increase at a 0.9% annual rate from 2018-2023, equivalent to the addition of an average of approximately 21,710 residents per year.

HOUSEHOLD INCOME

The median household income for the overall Sacramento MSA is about 9% below the statewide average. Within the region, median household income is the highest in Placer and El Dorado Counties. The 2018 median income levels are summarized in the following table.

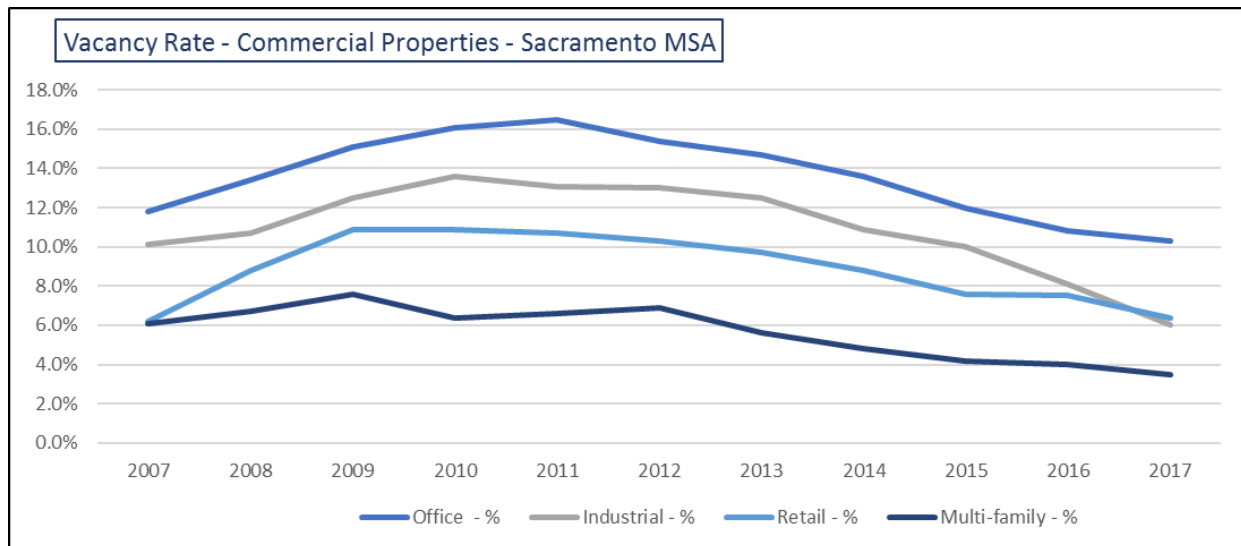
Demographic Characteristics Sacramento MSA vs. California 2018 Estimates		
Characteristic	Sacramento MSA	California
Annual Population Growth -2010 to 2017	0.9%	0.8%
Unemployment Rate	4.2%	4.6%
Average Household Income	\$94,321	\$103,775
Median Household Income	\$68,773	\$70,636
Median Age	37.7	36.9
Average Household Size	2.7	2.9
Owner Occupied %	60.9%	55.8%
Percent with Bachelor's Degree or Higher	31.9%	32.0%
Source: Claritas, LLC.		

Areas of concern for the Sacramento region are the slower pace of income growth and an increase in income inequality. Since 2004, income growth for California outpaced that of the Sacramento region.



COMMERCIAL REAL ESTATE

Commercial real estate fundamentals continue to trend in a positive direction, with vacancy rates declining and rental rates increasing in all property sectors.



The Sacramento multifamily market is poised for continued success as the region is thriving with rising employment, increasing population, continued rent growth, minimal vacancy, and limited new multifamily supply. Bucking the national trend of moderating rent growth, the Sacramento region continued to be ranked first nationally in several surveys, which indicate year-over-year growth near 9%. While rent growth is expected to continue, it will likely moderate to a more sustainable level at some point in the foreseeable future.

Construction activity for all property types has remained at historically low levels since the downturn. New speculative construction is needed for most property types; however, current rental rates are still below feasibility levels in most cases, most notably in the office and industrial sectors. During 2018, new construction is expected to follow a similar pattern as in 2016 and 2017, and limited to apartments, high identity retail and a few distribution warehouses. Office construction will likely continue to be limited to build-to-suit or owner-user projects.

CONCLUSION

The region has experienced several economic cycles over the past 25 years. The growth periods were largely attributed to the area's quality of life, affordable housing costs and proximity to the San Francisco Bay region. The abundance of available land in the region however contributed to high speculation which resulted in wide swings in development cycles and real estate prices. The most recent down cycle was attributed partly to widespread economic factors for the United States. Going forward, the region will still be vulnerable to large economic swings primarily because the economy is not as diversified as many MSA's.

The current outlook for the region is encouraging due to strong fundamentals. The region's affordability and attractiveness with respect to business in-migration, population growth, and development opportunities are considered embedded long-range assets. The Sacramento region experienced growth in the number of jobs over the past five years, and it is reasonable to assume that growth in employment as well as population will continue to occur in the future. On a short-term basis, the economic outlook for Sacramento remains positive, consistent with trends experienced during 2017. On a long-term basis, it is anticipated that the Sacramento MSA will continue to grow and prosper. This future growth should provide an economic base that supports continued demand for real estate of all types on a long-term basis.

The map displays the Sacramento, California area, including major highways such as I-80, I-85, and SR-99. A red dot is located on SR-99 near Elk Grove, with a callout box identifying the subject as 8290 Elk Grove Blvd, Elk Grove, CA 95758. The map also shows various cities and towns, including Sacramento, Elk Grove, and Florin.

NEIGHBORHOOD ANALYSIS

OVERVIEW

The subject is located in the City of Elk Grove along Elk Grove Boulevard. The physical boundaries for the City of Elk Grove are generally delineated as follows: Calvine Road/Sheldon Road/Dwight Road (North); Union Pacific Railroad/Franklin Boulevard/I-5 (West); Bilby Rd./Kammerer Rd. (South); Grant Line Road (South & East).

Elk Grove was incorporated on July 1, 2000. The area now recognized as the City of Elk Grove was formerly the unincorporated portions of Sacramento County known as Laguna, Elk Grove and Sheldon. This city is located approximately 20 miles south of the Sacramento CBD and 30 miles south of Sacramento Metropolitan Airport.

POPULATION & HOUSING STATISTICS

Currently, the City of Elk Grove is home to approximately 172,116 residents. Indicated in the table below is a summary of past population growth in the City of Elk Grove since 2001.

Elk Grove City Population Summary		
Year	Population	% Change
2001	76,298	--
2002	82,932	8.69%
2003	88,954	7.26%
2004	113,391	27.47%
2005	125,703	10.86%
2006	135,996	8.19%
2007	142,003	4.42%
2008	146,083	2.87%
2009	149,302	2.20%
2010	153,015	2.49%
2011	154,802	1.17%
2012	156,621	1.18%
2013	159,856	2.07%
2014	161,986	1.33%
2015	164,247	1.40%
2016	166,981	1.66%
2017	170,011	1.81%
2018	172,116	1.24%

Source: California Department of Finance, Demographic Research Unit.

Figures are reported as of January 1st of the corresponding year.

Access & Transportation

Elk Grove is characterized by wide streets with landscaped medians, sound walls along the boundaries of residential neighborhoods, and meandering walkways along the main arterials. The city has interchanges at Interstate 5 and Highway 99 that enable commuters to reach the downtown Sacramento area in about 20 minutes.

Laguna Boulevard and Elk Grove Boulevard are the main east/west arterials within the neighborhood. Additional east/west arterial streets include Big Horn Boulevard, Center Parkway and Calvine Road. The main north/south arterials in the neighborhood are Franklin Boulevard, Stockton Boulevard and Bruceville Roads. Transportation

arteries impacted by rapid growth in the area have received improvements such as new streets, street widening, and new freeway interchanges.

Employment

As of May 2018 (not seasonally adjusted), the City of Elk Grove had an unemployment rate of 2.90% percent, which represents a continuation of the downward trend in unemployment apparent since year-end 2011 for the city. The current rate represents a return to the more typical sub-5.0% rates evident over 2001-2007 and marks a significant decline from the high water mark established at 10.4% for year-end 2010. A table illustrating unemployment trends in the City of Elk Grove since 2001 is found below.

Elk Grove City Employment Trends			
Year	Total Employed	Change	Unemployment
2001	31,608	--	3.60%
2002	32,274	2.11%	4.50%
2003	32,767	1.53%	4.70%
2004	33,091	0.99%	4.50%
2005	33,519	1.29%	4.00%
2006	33,843	0.97%	3.80%
2007	33,941	0.29%	4.30%
2008	33,459	-1.42%	5.80%
2009	32,032	-4.26%	9.20%
2010	31,194	-2.62%	10.40%
2011	31,500	0.98%	9.80%
2012	32,200	2.22%	8.60%
2013	32,900	2.17%	7.10%
2014	71,600	---	5.60%
2015	73,300	2.37%	4.30%
2016	76,100	3.82%	3.60%
2017	76,900	1.05%	3.30%
May-18	78,600	2.21%	2.90%

Source: State of California Employment Development Department

* At year-end 2014, this source revised the boundaries of the tracked City of Elk Grove area to include Laguna, which identifies the western area of Elk Grove annexed by the City in the early 2000's.

Infrastructure and Zoning

The entire subject neighborhood is located within the incorporated area of Sacramento County known as the City of Elk Grove. The Elk Grove Community Services District (EGCSD) is the governing body for the fire department and the recreation and parks district. Their jurisdiction covers a 25 square mile area around the Laguna area. Sacramento County has zoning ordinances and building regulations. Several different zoning classifications can be found within the defined boundaries of the neighborhood. These range from single-family residential to commercial to light industrial.

Utility service is provided by various municipalities including water from Elk Grove Water Works, wastewater service from the County of Sacramento, electricity from the Sacramento Municipal Utility District and natural gas from Pacific Gas and Electric Company. All public utility services are available in adequate capacity to serve the properties in the neighborhood.

Proximity to Support Facilities

Due to the roadway systems through the neighborhood, access to support facilities is considered to be good from both within and outside the subject neighborhood. The Elk Grove Unified School District, which ranks as one of more desirable school districts in the region, provides public education in the neighborhood. This district includes 40 elementary schools, 8 middle schools, 8 high schools and 5 other schools (which include a mix of charter, alternative, independent study, special education and adult education schools). Other support facilities including parks, places of worship, civic, recreational and cultural facilities are located within the area.

Land Uses

In the immediate vicinity of the subject, land uses include residential to the north and south and vacant land to the east and west. An aerial depiction of the subject property and neighboring property uses is seen below.



Surrounding Area Land Uses

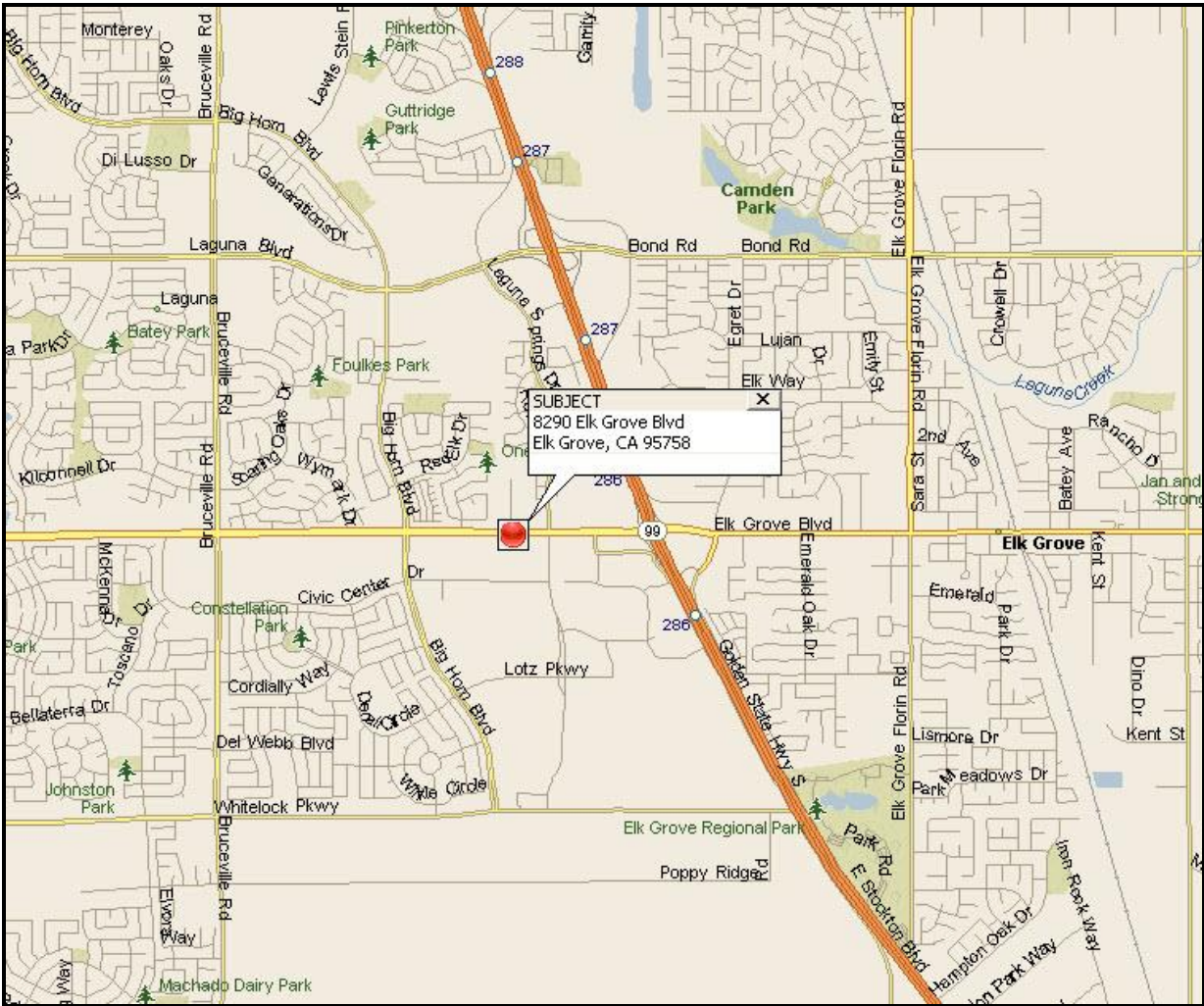
Character of Area	Suburban
Predominant Age of Improvements	10-15 years
Predominant Quality and Condition	Above Average
Approximate Percent Developed	60%
Infrastructure/Planning	Above Average
Predominant Location of Undeveloped Land	South
Prevailing Direction of Growth	Southeast

Outlook and Conclusions

Over the past 20 years the Laguna/Elk Grove area has transitioned from a semi-rural area to one of the largest suburban housing areas in the region. From the late 1980's through 2005, the area experienced rapid residential growth as several large master planned communities were developed and built-out. The area has a positive basis for continued growth including affordable land, county endorsed growth and existing infrastructure. The Elk Grove area offers a reasonably short commute to major employment centers in Sacramento, developing commercial services, and affordable housing.

After suffering for many years from a depressed real estate market, Elk Grove has seen an influx of housing starts as of recent. Elk Grove is expected to continue to grow through the near future at a faster pace than the Sacramento region.

NEIGHBORHOOD MAP



SITE DESCRIPTION

The description of the site is based upon our physical inspection of the property, information available from the client, and public sources. See the *Data Sources Used Within This Appraisal* table in the Scope of Work section for more detail.

GENERAL DESCRIPTION OVERVIEW

The subject is located on the south side of Elk Grove Boulevard near Big Timber Drive. The site also has frontage along the north side of Civic Center Drive.

SUBJECT PROPERTY IDENTIFICATION	
Property Name	The Falls Event Center
Address	8280 and 8290 Elk Grove Boulevard Elk Grove, California 95828
Tax ID/APN	132-2130-004 and 132-2130-005
Owner of Record	The Falls at Elk Grove, LLC
Site Area	198,198 square feet (4.55 acres)

The subject's land area is summarized in the following table.

SUMMARY OF LAND AREAS		
Tax ID/APN	SF	Acres
132-2130-004	96,268	2.21
132-2130-005	101,930	2.34
Total	198,198	4.55

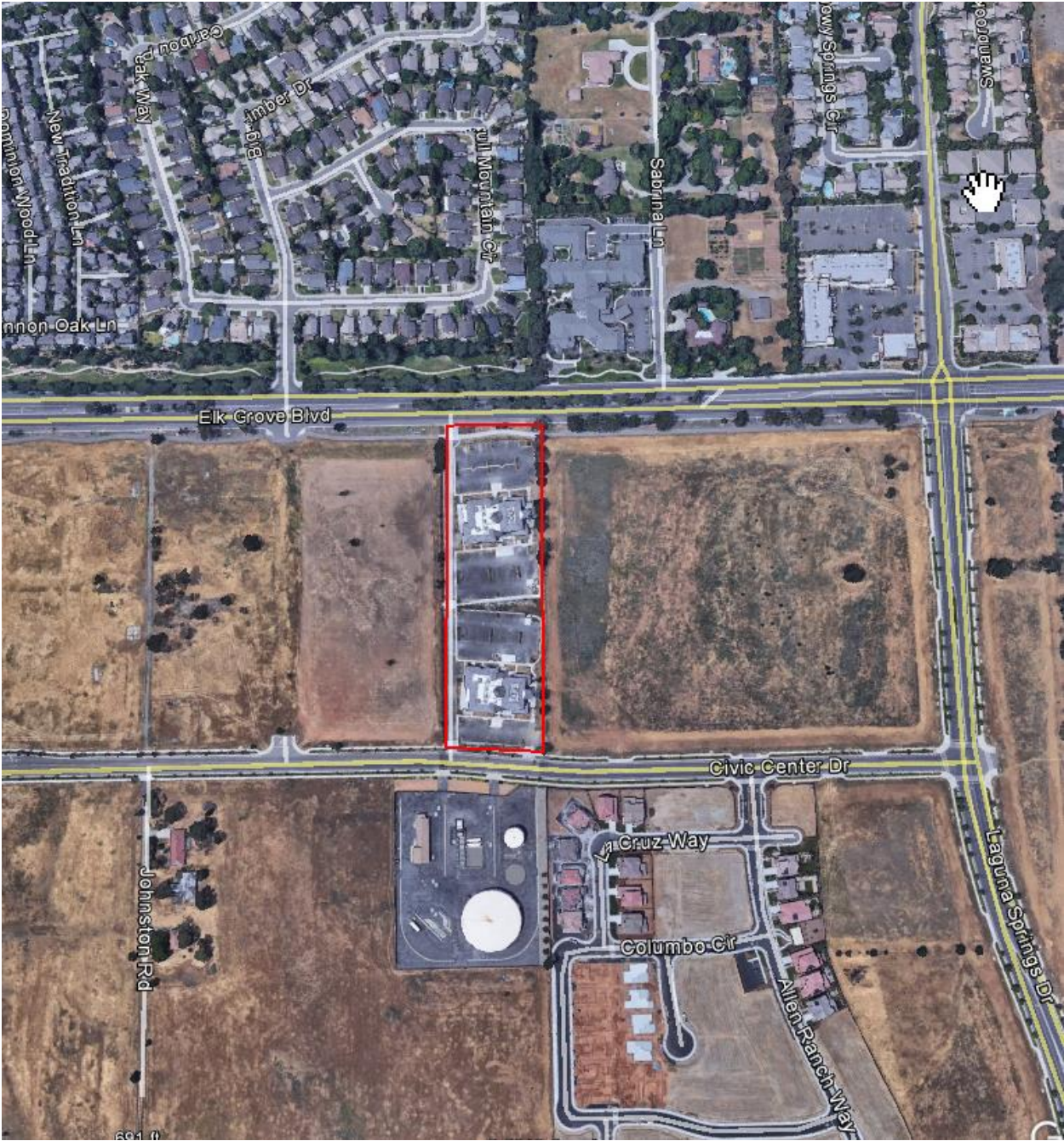
The subject site is comprised of 2 contiguous parcels. The site is 250 feet wide. Its shape is rectangular, and its topography is level. Overall, site dimensions, shape, and topography result in average utility. The site is adequately served by public utilities, including water, sewer, gas, electricity, and phone.

ACCESS

General access attributes of the subject and surrounding area were described in the neighborhood analysis. The following table summarizes specific access, frontage, and visibility attributes of the subject site specifically.

SURROUNDING LAND USES

Land uses adjoining the subject include single-family residential to the north and south and vacant land to the east and west.



ZONING REQUIREMENTS

The subject's zoning requirements are summarized below.

ZONING REQUIREMENTS			
Zoning Jurisdiction	City of Elk Grove		
Subject Component	Event Center		
APN/Address	132-2130-004 /	132-2130-005/	-
Zoning Designation	BP		
Description	Business Professional Office		
Legally Conforming?	Appears to be legally conforming		
Zoning Change Likely?	No		

DRAINAGE

Based on the information provided, as well as our physical inspection of the property, it appears that drainage at the subject site is adequate.

FLOODPLAIN

According to National Flood Insurance Rate Map Community Panel No. 06067C0317H (August 16, 2012), the subject property lies within FEMA Zone X (outside of 500-year floodplain).

SOIL/SUBSOIL CONDITIONS

We did not receive nor review a soil report; however, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property.

SEISMIC HAZARDS

Given the presence of several active faults throughout the State of California, nearly all properties in California are subject to some degree of seismic risk. The Alquist-Priolo Earthquake Fault Zoning Act was passed in 1972 in order to regulate development of structures intended for human occupancy on the surface trace of active faults. While the Alquist-Priolo Act only addresses surface rupture risk, the Seismic Hazards Mapping Act, passed in 1990, considers non-surface earthquake hazards, such as liquefaction and landslides. These laws require the State Geologist to establish regulatory zones based on seismic risk and distribute maps to agencies for affected areas for use in planning and development. Structures cannot be constructed over the trace of a fault, and a setback from the fault is typically required. Properties that are not located within a fault zone but are at increased risk for seismic damage due to their location within affected cities can be subject to additional government-imposed requirements, such as seismic or soft-story retrofitting, and lenders and/or institutional investors will often require property owners/operators to carry earthquake insurance.

Based on our review of the current Alquist-Priolo Fault Zone and Seismic Hazard Zone Maps, the subject city is not affected by a nearby fault, and the subject property is not within a special studies zone.

ENVIRONMENTAL CONCERNS & HAZARDOUS SUBSTANCES

We were not provided with an environmental report; however, no unusual conditions observed, and none were reported by the owner. For purposes of this appraisal, we assume that the subject site is not impacted by any

significant environmental concerns that would warrant remediation, or otherwise impact the marketability of the property.

EASEMENTS, ENCROACHMENTS & RESTRICTIONS

We were not provided with a title report or deed. Our valuation assumes that any easements or restrictions that affect the subject property are typical of its type and location, and that there are no encroachments that adversely impact value. For purposes of this valuation we assume that the subject has a clear and marketable title.

SUMMARY AND CONCLUSIONS – SITE

The subject site is comprised of 2 contiguous parcels, zoned BP, Business Professional Office. This zoning designation allows for various office uses. Overall, the physical site attributes result in average utility, and the property could be developed to a variety of uses per the provisions of its zoning designation, and with the approval of the local planning department.

IMPROVEMENTS DESCRIPTION

The subject property consists of two commercial buildings on separate parcels located in the city of Elk Grove, Sacramento County, California. Each building contains 13,387 square feet of building area and have identical floorplans and finishes. The improvements were constructed in 2014. The property is owner-occupied with the buildings being rented out hourly/daily to individuals and businesses for meetings and events. The site area is 4.55 acres or 198,198 square feet.

Information regarding the subject improvements was provided by the owner and other parties related to, and familiar with the property. This information was verified with public records, building/site plans, third party reports, and various secondary sources.

IMPROVEMENTS DESCRIPTION	
GENERAL OVERVIEW	
Property Name	The Falls Event Center
Address	8280 and 8290 Elk Grove Boulevard Elk Grove, CA 95828
Property Description	Event Center
Rentable Area (SF)	26,774
Gross Building Area (SF)	26,774
Land Area (SF)	198,198
Year Built	2014
Number of Buildings	2
Number of Stories	1
Construction Class	D
Construction Type	Wood frame
Special Features	–
SITE IMPROVEMENTS/CHARACTERISTICS	
Floor Area Ratio (RA/Land SF)	0.14
Number of Parking Spaces	263
Parking Spaces/1,000 SF RA	9.82
Landscaping	Adequate

Construction specifications and materials are detailed in the following table, as reported by ownership, gathered from building plans, and observed at our physical inspection.

CONSTRUCTION DETAIL	
EXTERIOR & STRUCTURAL DETAIL	
Foundation	Concrete
Construction	Wood frame
Exterior Walls	Brick
Roof Type	Flat & Sloping
Roof Cover	Built-up
Windows	Yes
INTERIOR DETAIL	
Interior Walls	Painted and textured drywalls
Ceilings	Ceiling Tiles
Floor Coverings	Tile & wood
Lighting	Adequate
Restrooms	2 Large Restrooms per building
MECHANICAL & SYSTEMS DETAIL	
HVAC	Central
Plumbing	Adequate
Electrical	Adequate
Sprinklers	Yes

RATINGS & QUALITATIVE DETERMINATIONS	
Competitive Property Class	B
Building Quality	Good
Building Condition	Good
Design/Functional Utility	Average
Actual Age (Yrs.)	4
Estimated Effective Age (Yrs.)	4
Estimated Economic Life (Yrs.)	50
Remaining Economic Life (Yrs.)	46

BUILDING DESCRIPTION

The Falls Event Center is designed to be small event venues that are to be used for gatherings, weddings, personal and corporate events. The facility is equipped with a main hall area, conference rooms, board room, game room, and a small theatre, and is designed to allow for planning flexibility not found in hotels or similar facilities. The event center is broken down as follows:

- A main event hall with accompanying outdoor patio. The room includes audio-visual display and equipment at no additional charge. The main hall can accommodate up to 250 people with table seating, and 450 people with seating in rows.

- A large conference center. The room will accommodate seating for up to 120 tables or 150 persons with seated in rows. It is located adjacent to the caterer's kitchen and is ideal for business luncheons, receptions and business seminars. This room is fully equipped with audio-visual equipment and is configurable for classroom or table seating.
- A small conference room. This room is designed to be a multi-purpose room that is fully equipped with audio-visual equipment that can functional for both business seminars and weddings. The small conference room is conveniently located adjacent to the caterer's kitchen. This room accommodates up to 80 persons with table seating.
- The board room. This highly finished out room is designed for executive business or management meetings. This room is equipped with internet access, audio visual equipment, and a glass marker board. Featuring exterior views on both sides of the room, the board room can accommodate up to 30 persons.
- The Game Room features video gaming, a large flat-screened TV and a pool table. This 50-person capacity room can be added to the wedding or wedding reception of for use as a groom's room.
- Theatre. This 30-seat private movie theatre is equipped with an audio visual system. Seating can also be used for a small class-room environment. The room is also equipped with a stage for live performances, presentations and corporate training.
- In addition to the above, the facility features floral service areas in each building, out-door areas with fountains and two patios that extend the gathering space. The total capacity for the indoor events will be 770 per building.

BUILDING QUALITY

As summarized above, the subject property reflects Class D construction per MVS standards, and is classified as a Class B property within its competitive market. The quality of materials and workmanship reflected in the property's structure, systems, and finishes are consistent with its type, class, and location.

BUILDING CONDITION

The subject improvements were constructed in 2014. It appears that maintenance has been adequate, and that the improvements are currently in good condition.

BUILDING DESIGN/FUNCTIONAL UTILITY

The design and functional utility of the subject improvements are consistent with an event center.

HAZARDOUS SUBSTANCES

The report assumes that there are no hazardous substances present at the subject property.

ADA COMPLIANCE

Based on our physical inspection of the property, it appears that the subject improvements are ADA compliant; however, we are not experts in ADA matters, and further investigation by an appropriately qualified professional is recommended.

PERSONAL PROPERTY

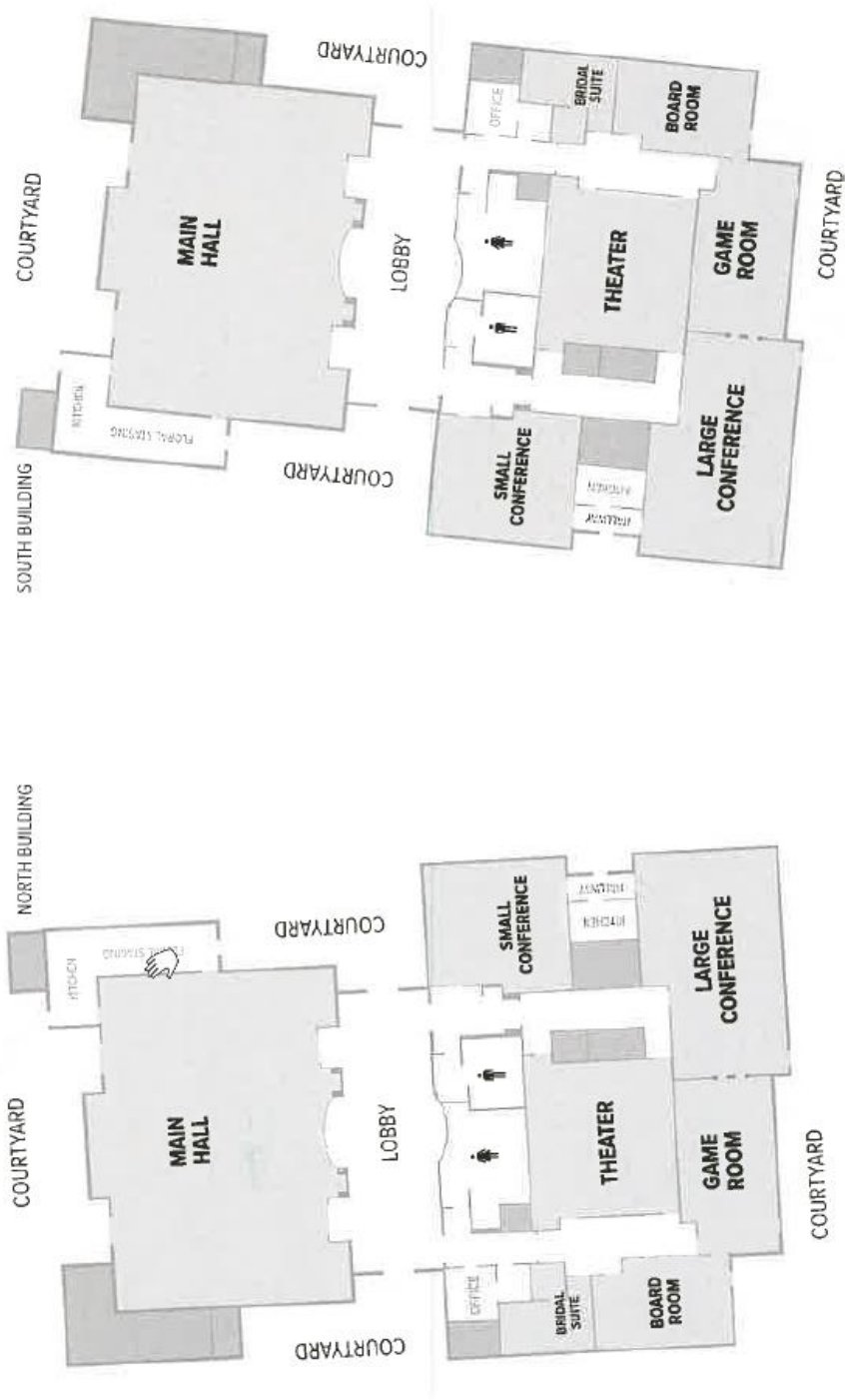
Personal property that is installed at the subject property includes:

- Video and audio equipment
- Chairs and tables
- Light kitchen equipment

The contributory value of the personal property is negligible to the overall property value.

SUMMARY AND CONCLUSIONS – IMPROVEMENTS

The subject property is a Class B property, constructed in 2014. The quality and condition, of the improvements are rated as above average. For an event center the designed and layout is functional.



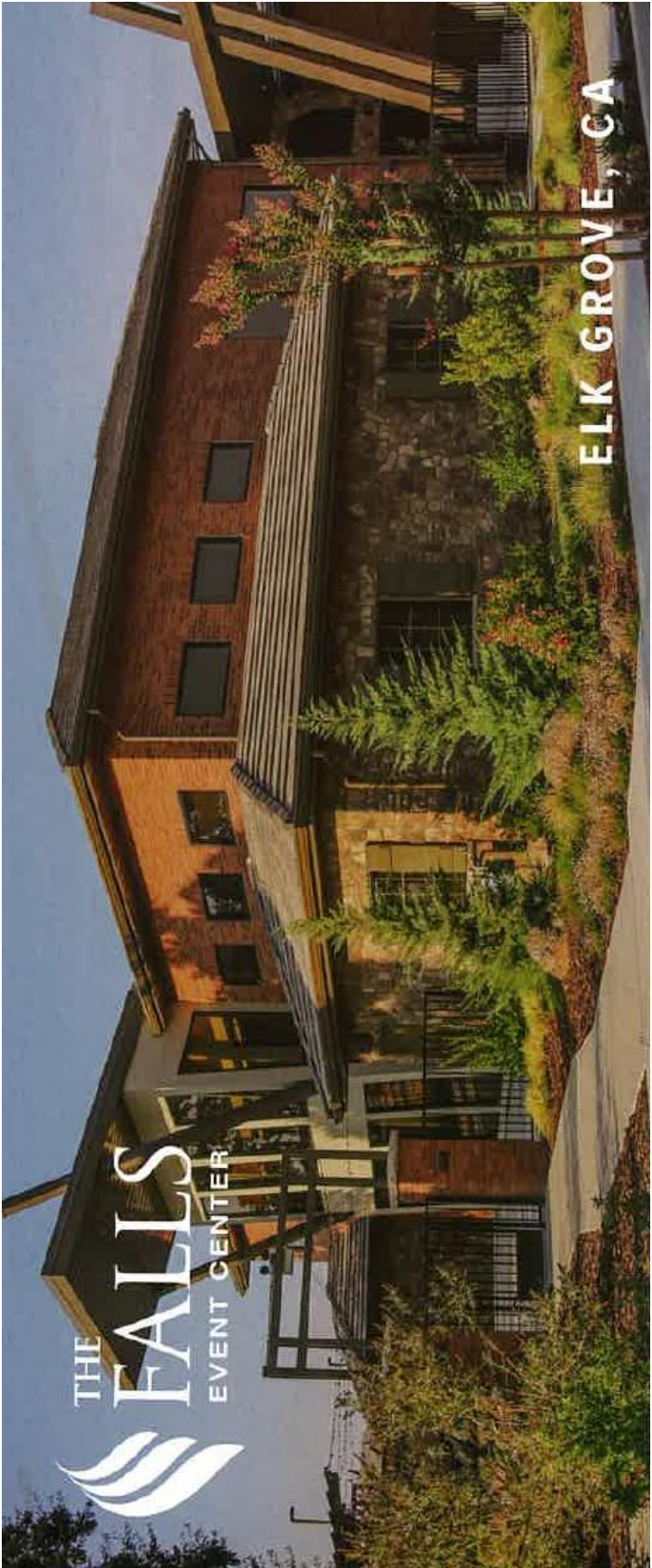
BUILDING PLAN

NORTH BUILDING

SOUTH BUILDING

ROOM NAME	SQ FT	DIMENSION	CEILING HEIGHT
MAIN HALL	3430	49' x 70'	18'
LARGE CONF RM	1175	25' x 47'	13'
SMALL CONF RM	750	25' X 30'	13'
THEATER	960	30' x 32'	12 ½'
MAIN COURTYARD	1625	25' x 65'	
BOARD ROOM	522	29' x 18'	18'
GAME ROOM	740	37' x 20'	10'
BRIDAL SUITE	266	19' x 14'	13'
LOBBY	1280	20' x 62'	13'

ROOM NAME	SQ FT	DIMENSION	CEILING HEIGHT
MAIN HALL	3430	49' x 70'	18'
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SUBJECT PHOTOGRAPH

PROPERTY TAX ANALYSIS

PROPERTY TAXES AND ASSESSMENT DATA

Real estate taxes for the subject property are assessed and collected by the County of Sacramento. In 1978, California voters approved the Jarvis-Gann Amendment, popularly known as "Proposition 13". Proposition 13 abolished the practice of periodic reassessment of properties, based on market value appraisals, and limited increases on assessed values to 2% per year. The only circumstances under which properties are reassessed to current market value are upon a market sale, or completion of new construction or substantial renovation of a property. Ad valorem tax rates are limited to a general rate of 1%, plus the rates needed to service any bonded indebtedness. Voter-approved direct assessments can also be added and are often related to the installation of infrastructure.

This appraisal assumes a market sale of the subject property, rendering the current total ad valorem tax amount irrelevant to our analysis. In projecting real estate tax expenses for the subject property, we apply the ad valorem tax rate to our stabilized market value conclusion, and add direct assessments as reported on the most recent tax bill; however, for reporting purposes, as well as a test of reasonableness for the current assessed values, we summarize the subject's most recent tax bill below:

REAL ESTATE ASSESSMENT AND TAXES			
ASSESSED VALUES			
Tax ID/APN	Total Subject	132-2130-004	132-2130-005
Land	\$993,512	\$480,197	\$513,315
Improvements	\$8,598,004	\$4,299,002	\$4,299,002
Total	\$9,591,516	\$4,779,199	\$4,812,317

REAL ESTATE TAXES -			
Tax ID/APN	Total Subject	132-2130-004	132-2130-005
Ad Valorem Taxes @ 1.0503%	\$100,740	\$50,196	\$50,544
Direct Assessments	\$44,546	\$21,608	\$22,938
Elk Grove Unified Mello-roos			
Laguna Ridge CFD 2005-1	\$28,473	\$13,739	\$14,734
Elk Grove Unified Mello-roos	\$3,616	\$1,768	\$1,848
Misc. Direct Assessments	\$12,457	\$6,101	\$6,356
Total Real Estate Taxes	\$145,286	\$71,804	\$73,482

DELINQUENCY

Per the tax collector/title report, the subject property is currently encumbered by delinquent taxes. For purposes of this appraisal, we assume that all outstanding taxes have been paid, and that the subject has a clear and marketable title.

HIGHEST AND BEST USE

A determination of highest and best use is necessary prior to valuation of a property. In the sixth edition of *The Dictionary of Real Estate Appraisal*, the Appraisal Institute defines Highest and Best Use as: "The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

We conduct four tests to determine the highest and best use of the subject property:

- Legally permissible per the applicable zoning standards and other restrictions
- Physically possible
- Financially feasible
- Maximally productive

Typically, these tests are applied in the order listed above. The highest and best use of a property is the one that meets the first three criteria and will produce the greatest future benefit to the owner. Analysis of the highest and best use of the land assumes that the subject site is vacant and available for development to the determined highest and best use. The analysis of Highest and Best Use As Improved determines whether continued use as is, alteration, or demolition and redevelopment constitutes the maximally productive use of the existing improvements.

AS IF VACANT

LEGALLY PERMISSIBLE

The subject is zoned BP, Business Professional Office. Based on this zoning designation, the site can be developed with various office uses. No other restrictions have been identified that would limit development of the property beyond the development standards stipulated by the municipal code for the subject's designated zoning.

PHYSICALLY POSSIBLE

The subject site is comprised of 2 contiguous parcels. Its shape is rectangular, and its topography is level. Access and infrastructure are adequate. Overall, the physical site attributes result in average utility, and the property could be developed to a variety of uses per the provisions of its zoning designation, and with the approval of the local planning department.

FINANCIALLY FEASIBLE

Based on our review of the market, it appears that the value of a new office use on the subject site would be commensurate with its cost to build. Demand in the area is adequate to justify new construction, and near-term development of an office use on the subject site is determined to be financially feasible.

MAXIMALLY PRODUCTIVE

Uses that are legally permissible, physical possible, and financially feasible on the subject site include office. In order to determine the maximally productive use, we have compared rents, occupancy, operating expenses, and rates of return for each use's ideal improvement. Based on this analysis, we have determined that a newly developed office use would render the highest residual land value; therefore, near-term development of a new office use on the subject site is determined to be the maximally productive use of the property as vacant.

Of the uses that would likely be developed on the subject site, only office use meets the first three criteria (legally permissible, physically possible, and financially feasible); therefore, near-term development of a new office use would render the highest residual land value, and is determined to be the maximally productive use of the property.

CONCLUSION – HIGHEST & BEST USE AS IF VACANT

The foregoing analysis indicates that only office use meets the four criteria utilized in determining highest and best use; therefore, near-term development of a new office use is determined to be the highest and best use of the subject as vacant.

AS IMPROVED

The subject property is improved with an event center. The current use of the subject appears to be legally conforming. In their current configuration, the subject improvements are adequately suited to their current use. We have explored several possible uses of the property as shown below.

EVENT CENTER

An entity related to the real property owner operates a business known as The Falls Event Center at the subject. This business has been operating at the property since early 2015. Given the special use nature of the real estate improvements it was necessary to evaluate the financial performance of the owner's business at the subject property. We were provided some financial records regarding the business operation. These are summarized as follows:

Unaudited Gross Booking Sales Volume Per Month:

BOOKING SALES													
Elk Grove	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	ANNUAL
2013													
2014													
2015													
2016													
2017													

Unaudited Cash Collections Per Month:

CASH COLLECTED													
Elk Grove	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	ANNUAL
2013													
2014													
2015													
2016													
2017													
2018													

Unaudited Income and Expenses Per Month January 2017 to June 2017:

	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	YTD TOTAL
Ordinary Income/Expense							
Income							
47000 · REVENUE							
Total Income							
Cost of Goods Sold							
54000 · Cost of Services							
Total COGS							
Gross Profit							
Expense							
60000 · PAYROLL & BENEFITS							
61000 · OFFICE EXPENSE							
61650 · UTILITIES							
61700 · COMPUTER EXPENSES							
61800 · REPAIRS & MAINTENANCE							
62000 · MARKETING & ADVERTISING							
63000 · PROFESSIONAL & LEGAL FEES							
64000 · TRAVEL & ENTERTAINMENT							
65000 · CORPORATE INSURANCE							
67000 · CORPORATE TAX							
Total Expense							
Net Ordinary Income							

Income Statement – Elk Grove

UNAUDITED

The Falls Event Center, LLC
Summary Income Statement

	Variance year-over-year			
	YTD 2017	YTD 2016	Variance \$	Variance %
Revenue				
Cost of Goods Sold				
Expenses				
Net Operating Income				
Interest Expense				
Net Income/(Loss)				

Income Statement – Elk Grove

UNAUDITED

	Jan 18	Feb 18	YTD TOTAL
Ordinary Income/Expense			
Income			
47000 · REVENUE			
Total Income			
Cost of Goods Sold			
54000 · Cost of Services			
Total COGS			
Gross Profit			
Expense			
60000 · PAYROLL & BENEFITS			
61000 · OFFICE EXPENSE			
61650 · UTILITIES			
61700 · COMPUTER EXPENSES			
61800 · REPAIRS & MAINTENANCE			
62000 · MARKETING & ADVERTISING			
63000 · PROFESSIONAL & LEGAL FEES			
64000 · TRAVEL & ENTERTAINMENT			
65000 · CORPORATE INSURANCE			
67000 · CORPORATE TAX			
Total Expense			
Net Ordinary Income			

Revenue and cash collections have been around \$1,200,000 annually. Expenses are more difficult to project give the limited amount of data. For 2016 and 2017 expenses appears to be averaging \$1,328,480, however within this expense could be some non-applicable expenses. Given the lack of detail from the financials provided it is difficult to make able precise projections for the event center business operation, however based on the financial information provided it appears that the event center business has a low profit potential relative to the overall value of the real property. Without historical evidence of sufficient profit to support a reasonable return to the real estate value the event center business is a questionable use for the property.

In our opinion, most prospective buyers of the real estate would have reservations regarding the viability of the property for continued event center operation considering its financial performance over the past several years. With that said, there's always some speculative buyers that believe operations could be changed to create a profitable business. These buyers however would likely base purchase price decisions on prices being paid for closely similar comparable properties located in the subject market as opposed to any income forecast of a prospective event center operation. The most closely resembling real estate assets to the subject would be commercial and office buildings where there has been abundant of sales in the local marketplace.

OFFICE USE

The subject property could easily be converted into an office use. The two-building set-up would be ideal for two separate office uses. The location, building design and size would be appropriate for this use. The abundance of parking would be suitable for medical office uses that is in good demand in the subject area. There would be necessary conversion costs to create functional office uses but these costs are believed to be financially feasible. Conversion tenant improvement work is necessary as the current build-out is not appropriate for office use. As will be shown later in this report the net operating income potential from this use is around \$480,000 annually. The conversion cost to create a functional office use is estimated to be \$1,600,000. Given this income capability of the property as a converted office and recognizing the conversion cost, this use is considered the maximally productive and highest and best use of the property.

CONCLUSION – HIGHEST & BEST USE AS IMPROVED

The highest and best use as improved warranted an analysis of alternative real property use of the property given evidence provided of the low profitability of the event center and the fact that the improvements are so specific to the event center operation. Our analysis indicated the highest and best use of the subject property would be for conversion to office use. This use has a far greater income potential as compared to an event center property use.

Based on the foregoing, conversion into office use appears to be the only use that meets all four criteria; therefore, conversion to office use is concluded to be the highest and best use of the subject property as improved.

MOST PROBABLE PURCHASER

Considering the physical attributes of the subject, its leased status, and trends in the market, the most probable purchaser of the subject property would be owner-user office users for each of the buildings.

VALUATION PROCESS

In developing an opinion of value, appraisers consider the Cost Approach, Sales Comparison Approach and the Income Approach. These three valuation methods are defined in the following table:

VALUATION METHOD	DEFINITION
Cost Approach	In this approach, the contributory value of the improvements (after deductions for accrued physical depreciation, functional obsolescence, and external obsolescence) is added to the value of the land as if it were vacant per our determination of highest and best use. If the interest appraised is other than fee simple, additional adjustments may be necessary for non-realty interest and/or the impact of existing leases or contracts. ¹
Sales Comparison Approach	In this approach, recent sales of similar properties in the marketplace are compared directly to the subject property, based upon a market-derived unit of comparison (i.e. price per square foot). We analyze physical, locational, and geographic differences between the subject and each comparable, and apply quantitative or qualitative adjustments to the comparables in order to arrive at an indication of value. The theoretical basis for this approach lies in the principle of substitution, whereby investors or owner-users are able to comparison-shop and set prices based on relative differences in properties. The reliability of an indication found by this method depends on the quality of the comparable data found in the marketplace. ¹
Income Capitalization Approach	The income approach utilizes a market-oriented rate of return to convert a property's potential income into a value indication (capitalization). The approach explicitly considers rent, vacancy, expense, and capitalization/discount rate trends in the subject's market, and reflects the primary analysis employed by most investors in leased commercial real estate assets. The two most commonly used income approach methodologies are direct capitalization and discounted cash flow analysis. These are frequently employed separately or in concert, depending upon the economic characteristics of the property, and the anticipated process of the most probable purchaser. The theoretical basis for this approach comes from the principle of anticipation and substitution. The principle of anticipation applies because the value of a property is the present value of expected future cash flow. The principle of substitution is also applicable, because rental rates for the subject property must be in line with those of competitive space. Furthermore, the value estimated by the income capitalization approach assumes that investors will earn a rate of return consistent with that available for alternative investments of comparable risk. ¹

¹ Real Estate Education Company, "Income Property Appraisal", 1991.

Given the physical and economic characteristics of the property, as well as the most probable purchaser concluded in the analysis of Highest and Best Use, the following valuation methods are employed:

VALUATION METHODS UTILIZED			
Approach	Applicability to Subject	Use in Assignment	Weight in Reconciliation
Cost Approach	Not Applicable	No	None
Sales Comparison Approach	Applicable	Yes	Primary
Income Capitalization Approach	Applicable	Yes	Secondary

The valuation process is concluded by reconciling the value indications of all approaches utilized to a final value indication or range of value indications. The reliability of each approach, and resulting emphasis given in the final reconciliation, is determined based upon the quantity, quality, and overall reliability of its data

SALES COMPARISON APPROACH

METHODOLOGY

In the sales comparison approach, we develop an opinion of value of the subject by compiling, verifying, and comparing recent and pending sales, as well as listings of properties similar in locational, physical, and economic attributes. The sales comparison approach is based upon the principle of substitution, which states that when a property is replaceable in the market, its value tends to be set at the cost of acquiring an equally desirable substitute property, assuming that no costly delay is encountered in making the substitution.

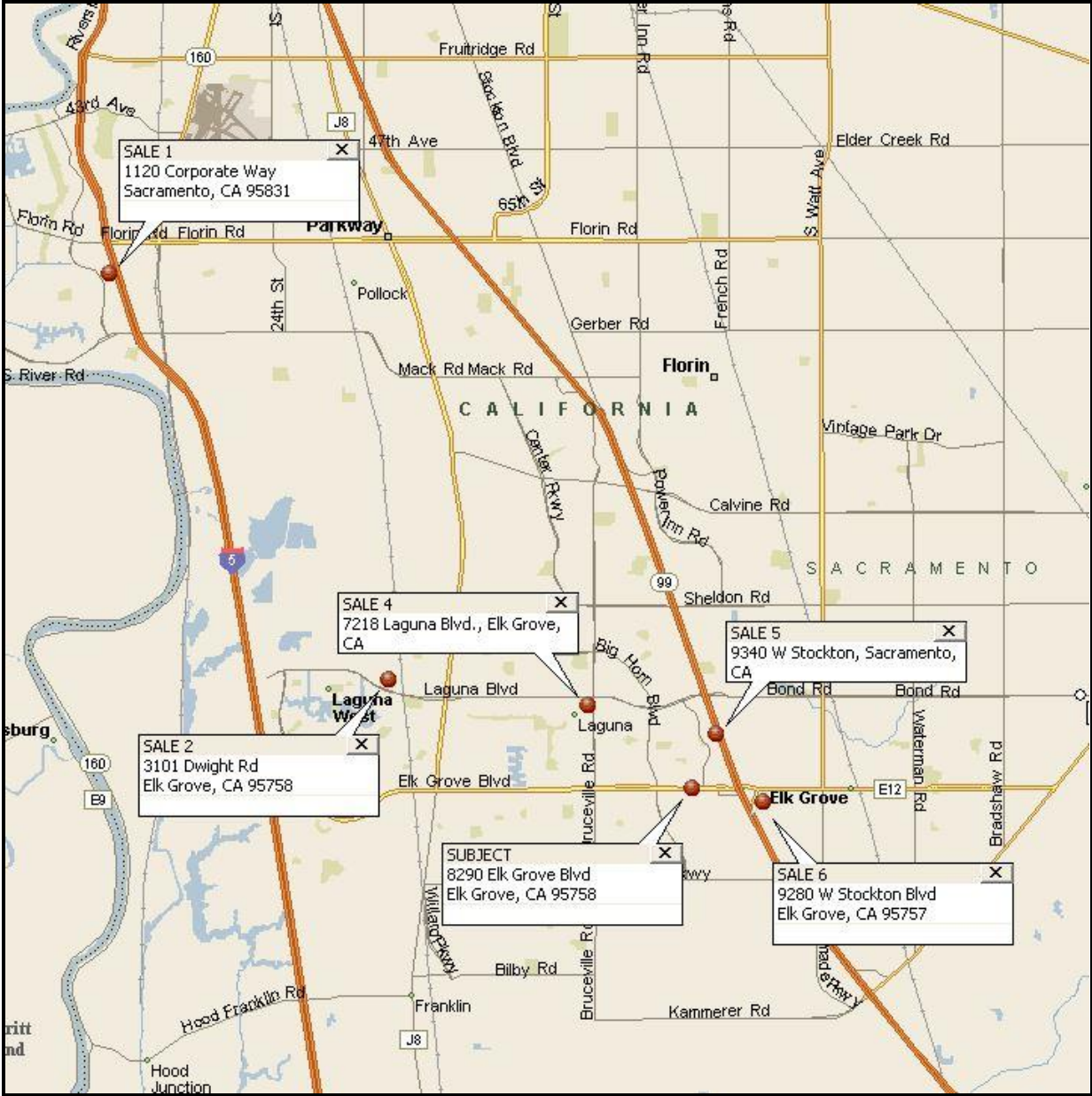
The sales comparison approach to value involves the following steps:

- **Determine the Unit of Comparison:** Examine market trends, interview market participants, and consider market data in order to determine the most widely used unit of comparison for properties with characteristics similar to those of the subject. For purposes of this analysis, the unit of comparison utilized is price per square foot of rentable area.
- **Compile and Verify Comparable Data:** Research is conducted to compile comparable pending sales, closed sales, and active listings of properties that are similar to the subject in location, size, density, construction age and quality, and other physical, legal, and economic characteristics. A reasonable effort has been made to verify the salient facts of each comparable transaction, as well its arm's length status. In the event that we are unable to confirm a comparable with a direct party to the transaction, we have obtained secondary verification from public records and other market sources unless otherwise noted.
- **Comparison and Adjustment:** Once the comparable data set has been identified, we adjust each sale/listing to account for specific differences in value-impacting transactional, locational, physical, and legal attributes (elements of comparison). All adjustments are applied to the comparables as they relate to the subject property.
- **Reconciliation:** The value indications rendered from the adjustment process are evaluated for reliability and relevance to the subject, and reconciled to a single value conclusion for the subject property. The relevance of each comparable is largely captured in a comparison of the net and overall adjustments that are necessary in the adjustment process.

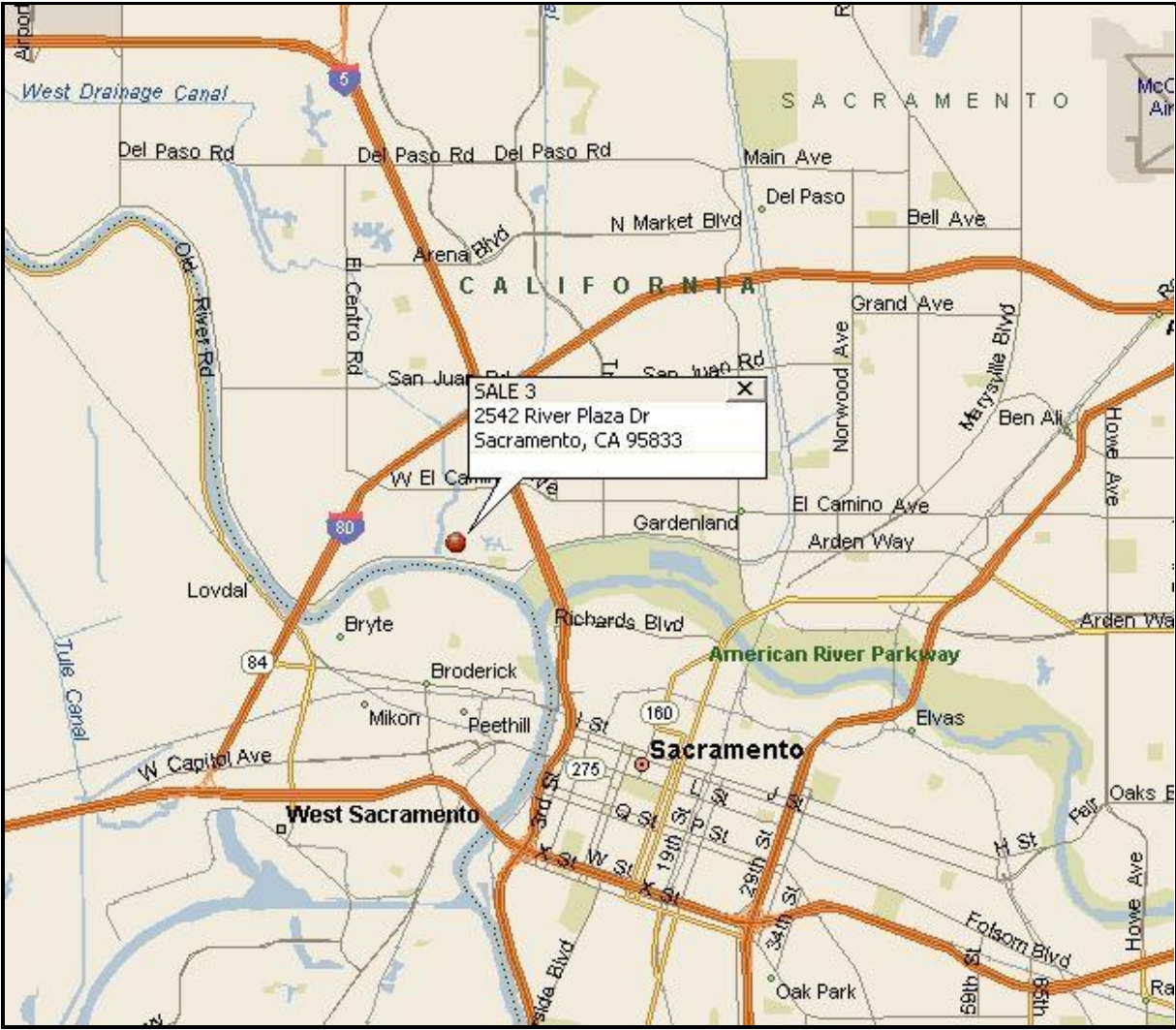
The following exhibits summarize the comparable data set that has been determined to be most relevant to the subject for purposes of sales comparison:

COMPARABLE IMPROVED SALES

On the following pages, we present a summary of the comparable improved sales that have been determined to be most relevant to the subject, including maps and photos.



COMPARABLE IMPROVED SALES MAP



COMPARABLE IMPROVED SALES MAP



Sale 1
Corporate Way Executive Park



Sale 2
Laguna West Business Park



Sale 3
River Plaza Corporate Center



Sale 4
7218 Laguna Blvd.



Sale 5
9340 W Stockton



Sale 6
Laguna Gateway Business Park

SUMMARY OF COMPARABLE IMPROVED SALES								
No.	Property/Location	Date of Sale; Sale Status	Yr. Blt.; # Stories; % Occ.	Acres; FAR; Parking Ratio	Effective Sale Price	Rentable SF	\$/Rentable SF	Cap Rate
1	Corporate Way Exewcutive Park 1120 Corporate Way Sacramento Sacramento County CA Tax ID: 031-0054-026 Grantor: PAC West Office Properties LP Grantee: Nguyen Chiropactic Corp	Mar-18 Closed	2006 1 0%	0.76 0.19 3.51/1,000	\$1,348,910	6,274	\$215.00	—
Comments: The property sold vacant to a user. The space was in a shell condition. The buyer is building out to medical office. The building has Interstate Highway 5 visibility. The property was on the market for 12 months.								
2	Laguna West Business Park 3101 Dwight Road Sacramento Sacramento County CA Tax ID: 119-1910-011 Grantor: Cemo Properties LLC Grantee: Elk Grove Bible Church	Oct-17 Closed	2004 1 100%	0.29 0.91 2.86/1,000	\$1,450,000	11,520	\$125.87	—
Comments: The property was purchased by one of the tenants who occupied most of the building. It has good exposure from Laguna Blvd. and Dwight Road.								
3	River Plaza Corporate Center 2542 River Plaza Drive Sacramento Sacramento County CA Tax ID: 274-0680-009 Grantor: River Plaza Properties Grantee: Comp Lex Landlords LLC	Nov-16 Closed	2008 2 0%	0.26 1.00 1.28/1,000	\$2,316,000	15,637	\$148.11	—
Comments: The property sold vacant to a user. The space was finished to open floorplan of average finishes.								
4	7218 Laguna Blvd. 7218 Laguna Blvd. Sacramento Sacramento County CA Tax ID: 116-0061-101 Grantor: Ethan Conrad Properties Grantee: RRKT Holdings LLC	Oct-16 Closed	1992 1 100%	0.83 0.28 1.76/1,000	\$1,575,000	10,200	\$154.41	—
Comments: The property is designed as a daycare or small school and was vacant for over a year prior to sale. The Buyer will occupy the space as a Montessori school. The property includes 12,000 SF of playground space. It has limited road exposure.								
5	9340 W Stockton 9340 W Stockton Sacramento Sacramento County CA Tax ID: 116-0860-009 Grantor: Moore Family Trust Grantee: Hatuey Properties LLC	Sep-16 Closed	1997 1 0%	0.97 0.17 5.08/1,000	\$1,800,000	7,281	\$247.22	—
Comments: The property was purchased for owner-occupancy. The buyer will continue to operate it as a dental office. It has adequate road frontage along Highway 99.								
6	Laguna Gateway Business Park 9280 W Stockton Elk Grove Sacramento County CA Tax ID: 116-0310-017 Grantor: Jackson Properties Grantee: IMA Oakdale LLC	Mar-18 Closed	2006 2 100%	3.73 0.30 4.55/1,000	\$12,200,000	48,321	\$252.48	6.75%
Comments: The property is a multi-tenant office property occupied by 11 tenants. It sold on a 6.75% cap rate.								

COMPARABLE IMPROVED SALES ADJUSTMENTS							
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6
Common Name	The Falls Event Center	Corporate Way	Laguna West Business	River Plaza Corporate	7218 Laguna Blvd.	9340 W Stockton	Laguna Gateway
Address	8280 and 8290 Elk Grove	1120 Corporate Way	3101 Dwight Road	2542 River Plaza Drive	7218 Laguna Blvd.	9340 W Stockton	9280 W Stockton
City	Elk Grove	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Elk Grove
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State	CA	CA	CA	CA	CA	CA	CA
Sale Date		Mar-18	Oct-17	Nov-16	Oct-16	Sep-16	Mar-18
Sale Status		Closed	Closed	Closed	Closed	Closed	Closed
Sale Price		\$1,035,210	\$1,450,000	\$2,316,000	\$1,575,000	\$1,800,000	\$12,200,000
Financing Terms Adjustment		\$0	\$0	\$0	\$0	\$0	\$0
Conditions of Sale Adjustment		\$313,700	\$0	\$0	\$0	\$0	\$0
Expenditures After Sale		Finishout Cost	—	—	—	—	—
Effective Sale Price		\$1,348,910	\$1,450,000	\$2,316,000	\$1,575,000	\$1,800,000	\$12,200,000
Rentable Area	13,387	6,274	11,520	15,637	10,200	7,281	48,321
Price per SF of Rentable Area		\$215.00	\$125.87	\$148.11	\$154.41	\$247.22	\$252.48
Property Rights		Fee Simple	Leased Fee	Fee Simple	Fee Simple	Fee Simple	Leased Fee
% Adjustment		—	—	—	—	—	—
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to Seller
% Adjustment		—	—	—	—	—	—
Conditions of Sale		Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length	Arm's Length
% Adjustment		—	—	—	—	—	—
Market Conditions		Mar-18	Oct-17	Nov-16	Oct-16	Sep-16	Mar-18
Annual % Adjustment	4%	1%	3%	7%	7%	7%	2%
Cumulative Adjusted Price		\$217.15	\$129.64	\$158.48	\$165.22	\$264.52	\$257.53
Location		Similar	Inferior	Similar	Similar	Similar	Superior
% Adjustment		—	10%	—	—	—	-5%
Access/Exposure/Visibility		Similar	Similar	Inferior	Inferior	Superior	Similar
% Adjustment		—	—	10%	10%	-5%	—
Building Size		Similar	Similar	Similar	Similar	Similar	Inferior
% Adjustment		—	—	—	—	—	10%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25.75
Year Built/Condition		Inferior	Inferior	Inferior	Inferior	Inferior	Similar
% Adjustment		5%	5%	5%	15%	10%	—
Construction Quality/Design		Inferior	Inferior	Inferior	Inferior	Inferior	Similar
% Adjustment		5%	25%	15%	15%	5%	—
Parking Ratio		Inferior	Inferior	Inferior	Inferior	Inferior	Inferior
% Adjustment		20%	20%	25%	25%	15%	15%
Floor-Area Ratio (FAR)		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		—	—	—	—	—	—
Economic Attributes		Similar	Similar	Similar	Similar	Similar	Similar
% Adjustment		—	—	—	—	—	—
Net \$ Adjustment		\$65.15	\$77.79	\$87.16	\$107.39	\$66.13	\$51.51
Net % Adjustment		30%	60%	55%	65%	25%	20%
Total % Adjustment		31%	65%	66%	77%	34%	22%
Indication for Subject		\$282.30	\$207.43	\$245.64	\$272.61	\$330.66	\$309.03
Range of Comparable Indications		\$207.43 - \$330.66					
Average		\$274.61					
Median		\$277.45					
Indicated Value		\$300.00					

ADJUSTMENT PROCESS

Each comparable is compared to the subject based upon the elements of comparison that have been determined to be relevant to the subject's property type and location. Attributes of the comparable that are deemed to be inferior to the subject warrant an upward adjustment; whereas, superior attributes warrant a downward adjustment. Depending upon the availability and reliability of market data, adjustments are applied quantitatively (expressed as a percentage or dollar-per-unit amount) or qualitatively (inferior/similar/superior). Comparables that require less net and overall adjustment are often considered to be more reliable indicators of value; however, each comparable is evaluated by the appraiser in order to arrive at a final reconciled value.

The analysis of the subject property is completed on an individual building basis, which is consistent with the most probable buyer being separate owner-user buyers for each building.

In addition, the subject is valued assuming the interior is already converted to office use. After arriving at the converted office value, a deduction will be applied to arrive at an as is value.

EXPENDITURES IMMEDIATELY AFTER SALE – EFFECTIVE SALE PRICE

In order to arrive at the effective sale price, the actual sale price of each comparable is adjusted to account for any expenditures planned by the buyer immediately after sale, such as capital expenditures, cost to cure deferred maintenance, or lease-up costs.

Sale 1 was in a shell state. This comparable was adjusted upward by \$313,700 or \$50 per square foot for finish-out cost.

PROPERTY RIGHTS CONVEYED

This adjustment accounts for any impact that the property rights transferred to the buyer may have on sale price. For leased fee properties, the length of leases in place and the relationship of market to contract rent could impact value. Some properties may appeal to an owner-user or an investor, resulting in a premium or discount per market trends. If a buyer acquires the leasehold interest in a comparable, then an adjustment may be necessary that accounts for the impact to the of ground rent and/or risk associated with the expiration of the ground lease to the sale price.

The subject property is owner-occupied and is fee simple estate. This is similar to most of the sale. Sale 2 sold as a leased fee interest, but the buyer was a tenant. Sale 6 was an investor purchase, but no premium or discounted is believed to be necessary for its leased fee sale. No adjustments are necessary.

FINANCING TERMS

This adjustment accounts for the impact of atypical financing that influenced the sale price, such as seller financing or assumption of existing financing with favorable or unfavorable terms.

To the best of our knowledge, all of the sales utilized in this analysis were accomplished with cash or market-oriented financing, and/or the cash equivalent sale price has been reported. No adjustments are warranted.

CONDITIONS OF SALE

This category accounts for other factors that may have influenced the sale price, primarily pertaining to seller motivation, such as seller distress (short sale, REO, auction) or buyer motivation, such as an assemblage. In the case of active listings, this adjustment can also capture the disparity between asking prices and the achievable sale price expected by the appraiser or a party to the sale.

All of the comparables reflect arm's length transactions of adequately exposed properties, and involving knowledgeable buyers and sellers. No adjustments are applied.

MARKET CONDITIONS

The comparable sales closed between . Based upon trends in rent, vacancy, and capitalization rates, it appears that market conditions have been over this time. As such, we apply a 4% annual adjustment to the comparable data set in order to account for market conditions over the period during which the comparable sales occurred.

LOCATION

The appeal of a property's location to users of and/or investors in a particular property type can influence value significantly. This factor broadly considers the impact of demographics, geographical attributes, and local land use trends on pricing. Comparisons of location can often be derived, or even quantified, by examining rent, vacancy, capitalization rate, and land value trends in the subject and directly competitive areas.

The subject is located along Elk Grove Boulevard in Elk Grove. In comparison to the subject, most of the comparable locations are mostly similar to the subject property. Sale 2 is located in a slightly less desirable location and warrants an upward adjustment of 10%. Sale 6 is located in a slightly superior area of Elk Grove. This sale warranted a downward adjustment of 5%. No other location adjustments are needed.

ACCESS/EXPOSURE/VISIBILITY

Depending upon property type, access and visibility from major thoroughfares can impact a property's appeal to its typical investor and/or user. The subject is a/an event center property, and benefits from its exposure along a major commercial arterial, as well as its proximity to the freeway.

The subject has good frontage and visibility from two roads. Sales 3 and 4 lack good visibility and require an upward adjustment of 10%. Sale 5 has highway visibility and is rated slightly superior. This sale was adjusted down by 5%.

BUILDING SIZE

Building size and price per square foot typically have an inverse relationship. Larger buildings tend to achieve lower pricing on a per-unit basis due to their economies of scale, and smaller pool of prospective buyers. Based on our review of trends in the local market, it appears that this principle is true for the subject property and its competitors.

Each subject building is being valued separately in this analysis as it is believed they would be sold separately. The subject building has a size that is comparable to most of the sales. Sale 6 is considerably larger in size to the subject building. This sale warranted an upward adjustment of 10% for its larger size as compared to one of the subject buildings. The differences in building sizes for the remaining sales does not warrants any adjustments.

YEAR BUILT/CONDITION

While the age of a property can impact achievable pricing, the overall condition rating is often a more accurate and important element of comparison, as the condition rating considers maintenance and renovations that have occurred since the property's original construction date.

The subject property was constructed in 2014. As discussed in the "Improvements Analysis" section, the effective age of the property is estimated at 4 years, and based on the type and quality of construction, its economic life is estimated at 50 years. The property's condition rates superior to most of the sales. Upward age/condition adjustments from 5% to 15% were applied to sales 1-5. Sale 6 is similar in condition and no adjustments are necessary for its condition/age.

CONSTRUCTION QUALITY/DESIGN

This category considers the impact of construction materials and workmanship, functional utility, and overall design on achievable pricing. In the "Improvements Analysis" section, the quality of the subject was determined to be good. The property's quality rates superior to all of the sales. Upward age/condition adjustments from 5% to 25% were applied to the sales.

PARKING RATIO

Depending upon property type and market orientation, higher parking ratios can impact pricing positively. In urban settings where street parking is minimal, properties with parking amenities can often generate additional income by leasing spaces to tenants of the building or other parties. By the same token, low parking ratios at this type of property will not necessarily impact value negatively. In suburban settings, properties with above-average parking ratios may not achieve premiums; rather, the additional parking may be considered a super-adequacy. A below-average parking ratio at such a property may impact its pricing negatively.

The subject's parking ratio is 9.82. This is far superior to the comparable sales. Upward age/condition adjustments from 15% to 25% were applied to the sales.

FLOOR-AREA RATIO

In most cases, higher floor-area ratios impact property values positively. It is noted, however, that a lower FAR could imply expansion/redevelopment potential. The subject's FAR is 0.14, which means it has a very low density. There is a possibility that expansion or resubdivision could occur to create more building or another lot between the two buildings. We believe the subject's favorable FAR and expansion possibilities has already been reflected in the parking ratio adjustments shown above.

ECONOMIC ATTRIBUTES

This category accounts for economic characteristics that have not already been accounted for under the "Property Rights Conveyed" adjustment. These can include the credit quality of existing tenants, the length of remaining lease terms, the relationship of contract rents to market, and occupancy levels.

The subject is owner-occupied. Most of the sales were either owner-occupied or had a few tenants. No adjustments for economic attributes are believed to be necessary.

SALES COMPARISON APPROACH CONCLUSION

After adjustment, the comparables support a range of value indications from square foot per square foot. The average and median indicators are \$125.87 - \$252.48 and \$207.43 - \$330.66 per square foot, respectively. Sale 2 is an outlier and has been given lower weight. The other sales range from \$245 to \$330 per square foot with an average of \$282 per square foot.

In order to arrive at the market value as is, adjustments are necessary for office conversion costs. We estimate the office conversion cost to be \$60 per square foot or \$1,600,000.

Given the foregoing analysis, we conclude to a value indication by sales comparison as follows:

SALES COMPARISON APPROACH VALUE CONCLUSION	
Indicated Value per SF	\$300.00
Square Feet Per Building	13,387
Indicated Value Per Building - As If Finished for Office	\$4,016,100
No. of Buildings	2
Total Value	\$8,032,200
Adjustments	
Office Conversion Cost	-\$1,600,000
Total Adjustments	-\$1,600,000
Indicated Value	\$6,432,200
Rounded	\$6,400,000

INCOME CAPITALIZATION APPROACH

METHODOLOGY

In the income capitalization approach, we develop an opinion of value by converting the property's anticipated income into present value, using a rate of return. The income capitalization approach to value involves the following steps:

- Estimate potential revenue: Consider leases in place, as well as potential income generated by vacant space and any other miscellaneous sources.
- Estimate effective gross income: Determine an appropriate stabilized vacancy and collection loss deduction from total potential revenue.
- Estimate net operating income: Determine appropriate deductions for typical operating expenses for the subject's property type and location. These include fixed and variable operating expenses, and may also include a provision for replacement of short-lived building components.
- Convert net operating income into value: Apply a market-derived rate of return to the anticipated income stream(s) to render an indication of value.

The two most commonly-employed income capitalization approach techniques are direct capitalization and discounted cash flow analysis. In direct capitalization, one year of net operating income is divided by a market-derived capitalization rate to provide an indication of value. In discounted cash flow analysis, a series of anticipated net income streams, including income from the future resale of the property, are discounted over a holding period to estimate present value. Discounted cash flow analysis is most appropriate when analyzing a property with irregular cash flows.

Depending upon the property type, and complexity of its lease structures and operating costs, a typical investor may employ one or both methods. If adequate data is available to support the various assumptions required, many market participants would perform both analyses and reconcile the value indications.

Given the economic characteristics of the property, as well as typical behavior of investors in this property type, we use only direct capitalization.

SUBJECT INCOME ANALYSIS

The subject property is owner occupied.

MARKET RENT ANALYSIS

An analysis of market rent for the subject's lease spaces is performed by surveying competitive properties and market participants for recent and pending leases, as well as active listings. Our market rent conclusions are then utilized to estimate potential income for vacant space, and to evaluate the impact of contract rents in place that differ from market.

RENT ANALYSIS - OFFICE

Comparables pertinent to the subject's office space are summarized in the tables and exhibits that follow.



COMPARABLE LEASE MAP



Lease 1
Laguna Gateway Business Park



Lease 2
Laguna Springs II



Lease 3
9290 W Stockton Boulevard



Lease 4
9045 Bruceville Road

COMPARABLE LEASE SURVEY - OFFICE						
No.	Property Information	Year Built; Building SF; Parking Ratio	Tenant; Lease SF	Lease Start; Term (Mos.); Lease Type	Comparable Lease	
					Rent/SF; Expense Basis; Escalations	Rent Concessions (Mos.); TI Allowance/SF
1	Laguna Gateway Business Park 9280 West Stockton Boulevard Elk Grove Sacramento County CA	2003 48,324 —	Sutter Healthcare 4,541	Jul-17 48 New	\$26.52 Full Service \$0.05 annually	None None
Comments: This space was leased July of 2017 for a four year term. The space has annual \$0.05 rental increases and featured no free rent incentives. The space did not feature any TI work and was leased 'as-is'.						
2	Laguna Springs II 9563 Laguna Springs Drive Elk Grove Sacramento County CA	2004 3,124 —	Laguna Physical 3,124	Dec-16 60 New	\$24.72 Full Service \$0.05 annually	1 Month None
Comments: This renewal lease was signed August of 2016, but commenced December of 2016. The space has annual rent increases and the tenant was provided with one-month of free rent.						
3	9290 W Stockton Boulevard 9290 W Stockton Boulevard Elk Grove Sacramento County CA	2007 8,522 —	Not Disclosed 2,730	Jun-17 60 New	\$30.00 Full Service \$0.05 annually	None None
Comments: This space was leased July of 2017 for a four year term. The space has annual \$0.05 rental increases and featured no free rent incentives. The space did not feature any TI work and was leased 'as-is'.						
4	9045 Bruceville Road 9046 Bruceville Road Elk Grove Sacramento County CA	2007 21,216 —	Listing 4,700	Listing Nego New	\$28.40 Full Service Nego	None None
Comments: This is a listing of good quality office						

LEASE ADJUSTMENT GRID - OFFICE					
	Subject	Lease 1	Lease 2	Lease 3	Lease 4
Property Name	The Falls Event Center	Laguna Gateway	Laguna Springs II	9290 W Stockton	9045 Bruceville Road
Address	8280 and 8290 Elk Grove	9280 West Stockton	9563 Laguna Springs	9290 W Stockton	9046 Bruceville Road
City	Elk Grove	Elk Grove	Elk Grove	Elk Grove	Elk Grove
County	Sacramento	Sacramento	Sacramento	Sacramento	Sacramento
State		CA	CA	CA	CA
Lease Start Date		Jul-17	Dec-16	Jun-17	Listing
Lease Term (Months)		48	60	60	Nego
Tenant Name		Sutter Healthcare	Laguna Physical Therapy and Hand Rehabilitation	Not Disclosed	Listing
Leased SF		4,541	3,124	2,730	4,700
Expense Basis		Full Service	Full Service	Full Service	Full Service
Effective Rent/SF/Yr		\$26.52	\$24.72	\$30.00	\$28.40
Expense Structure		Full Service	Full Service	Full Service	Full Service
\$ Adjustment		-	-	-	-
Adjusted Rent		\$26.52	\$24.72	\$30.00	\$28.40
Conditions of Lease		Arm's Length	Arm's Length	Arm's Length	Arm's Length
\$ Adjustment		-	-	-	-
Adjusted Rent		\$0.00	\$0.00	\$0.00	\$0.00
Market Conditions		Jul-17	Dec-16	Jun-17	Listing
Annual % Adjustment	4%	4%	7%	5%	-5%
Cumulative Adjusted Rent		\$27.58	\$26.45	\$31.50	\$26.98
Location		Similar	Similar	Similar	Similar
% Adjustment		-	-	-	-
Access/Exposure		Similar	Similar	Similar	Similar
% Adjustment		-	-	-	-
Size		Superior	Superior	Superior	Superior
% Adjustment		-10%	-10%	-10%	-10%
Building Quality		Similar	Inferior	Similar	Similar
% Adjustment		-	10%	-	-
Age/Condition		Inferior	Inferior	Inferior	Inferior
% Adjustment		5%	5%	5%	5%
Parking		Inferior	Inferior	Inferior	Inferior
% Adjustment		10%	10%	10%	10%
Net \$ Adjustment		\$1.38	\$3.97	\$1.58	\$1.35
Net % Adjustment		5%	15%	5%	5%
Total % Adjustment		9%	23%	10%	0%
Indication for Subject		\$28.96	\$30.42	\$33.08	\$28.33
Range of Comparable Indications		\$28.33 - \$33.08			
Average		\$30.20			
Median		\$29.69			
Indicated Rent		\$30.00			

After adjustment, the office lease comparables range from \$28.33 - \$33.08 per square foot per year. The adjusted comparables average \$30.20 per square foot per year, and the median indicator is \$29.69 per square foot per year. Equal weight is given to all of the lease comparables.

Based on the foregoing, we conclude to a market rent conclusion for the subject's office space of \$30.00 per square foot per year.

INCOME AND EXPENSE ANALYSIS

POTENTIAL GROSS RENT

The table below summarizes indications of potential gross rent. Potential gross rent is commonly calculated by applying contract rent to leased spaces and market rent to vacant and owner-occupied spaces. Potential gross rent is projected over the 12 months following the current effective date.

POTENTIAL GROSS RENT			
Space Type	SF	Market Rent	
		\$/SF/Yr	Annual
Vacant Space			
Office	26,774	\$30.00	\$803,220
Total Subject	26,774	\$30.00	\$803,220

Potential rent based on market rent for all spaces.

EXPENSE RECOVERIES

Our market rent conclusions assume full service expense structures, whereby the landlord is responsible for all operating expenses. No reimbursement income is projected.

VACANCY AND COLLECTION LOSS

Vacancy data for the market, submarket, competitors, and subject is summarized in the following table.

VACANCY & COLLECTION LOSS CONCLUSION		
Indicator	Vacancy Rate	Comments
Market		
Regional	12.8%	
Submarket	9.2%	
Concluded Vacancy & CL	5.0%	

The subject buildings are oriented for owner-occupancy. These type of buildings generally have lower vacancy as compared to multi-tenancy office properties. A vacancy rate lower than the sub-market is reasonable for the subject buildings given they would be appropriate for owner-user properties.

OTHER INCOME

The subject does not generate additional revenue aside from base rental income. No other income is included in our projection of potential gross income.

HISTORICAL AND PROJECTED INCOME AND EXPENSES

We were provided with limited historical operating data for the property. This data is sorted into income and expense categories below for purposes of projecting the subject's Year 1 net operating income.

As additional support for our expense projections, we also consider expense comparables and industry benchmarks, as summarized below:

COMPARABLE EXPENSE DATA & INDUSTRY BENCHMARKS					Subject
Comp Data					
	Comp 1	Comp 2	Comp 3	Historical and Projected Expenses	
Name	Hospital Drive	Iron Point	9424 Big Horn Drive	The Falls Event Center 8280 and 8290 Elk Grove Boulevard	
Address	7501 Hospital Drive	1837 & 1839 Iron Point Road	9424 Big Horn Drive		
City	Elk Grove	Folsom	Elk Grove		
State	CA	CA	CA		
Year Built	1975	2012	1990	Elk Grove	
SF	26,025	13,601	23,259	CA	
Expense Basis	Full Service	Full Service	Modified	2014	
Operating Data Type	Actual	Pro Forma	Actual	26,774	
PER SQUARE FOOT				Full Service	
				Market Value As Is	
Real Estate Taxes	2016	2018	2016		
Insurance	\$2.41	\$4.20	\$0.09	\$4.18	
Utilities	\$0.18	\$0.17	\$0.27	\$0.25	
Repairs/Maintenance	\$2.36	\$0.19	\$0.00	\$2.75	
Cleaning/Janitorial	\$0.72	\$0.20	\$0.64	\$0.75	
Grounds	\$1.94	\$0.77	\$0.00	\$1.00	
Security	\$0.23	\$0.72	\$0.60	\$0.50	
General/Administrative	\$0.02	\$0.18	\$0.12	\$0.05	
Management	\$0.04	\$0.00	\$0.03	\$0.05	
	\$0.37	\$0.00	\$0.77	\$1.00	
Total Expenses	\$8.27	\$6.43	\$2.52	\$10.53	

OPERATING EXPENSE ANALYSIS AND PROJECTIONS

The expense projections are discussed and analyzed in the sections that follow.

REAL ESTATE TAXES

As discussed in the Property Tax Analysis section, our estimate of real estate taxes assumes a market sale of the property; therefore, this projection is based upon the as is value conclusion and the current ad valorem tax rate of 1.0503%. Our estimate also includes direct assessments as reported on the subject's most recent tax bill.

Real Estate Tax Estimate	
Final As Is Value	\$6,400,000
Tax Rate	1.05030%
As Valorem Tax	\$67,219
Plus: Direct Levies	<u>\$44,546</u>
Total Taxes	\$111,765
Rounded	\$112,000

Based on this information, we project real estate taxes expenses at \$4.18 per square foot.

INSURANCE

This category includes property and casualty insurance that is required or typical at the subject and similar properties. The comparable data ranges from \$0.17 - \$0.27, and averages \$0.21 per square foot.

Based on this information, we project insurance expenses at \$0.25 per square foot.

UTILITIES

This category includes all utilities billed to the owner. As noted previously, some of these expenses may be passed through to the tenants. If this is the case, offsetting reimbursements have been accounted for in the expense reimbursement projection. The comparable data ranges from \$0.19 - \$2.36, and averages \$1.28 per square foot. The historical subject data is approximately \$2.75 per square foot.

Based on this information, we project utilities expenses at \$2.75 per square foot.

REPAIRS/MAINTENANCE

This category accounts for the cost of ongoing systems and structural maintenance and repairs. Payroll and contract costs associated with these services are included. The comparable data ranges from \$0.20 - \$0.72, and averages \$0.52 per square foot.

Based on this information, we project repairs/maintenance expenses at \$0.75 per square foot.

CLEANING/JANITORIAL

This category includes contract janitorial services and supplies, window cleaning, and trash removal. The comparable data ranges from \$0.77 - \$1.94, and averages \$1.35 per square foot.

Based on this information, we project cleaning/janitorial expenses at \$1.00 per square foot.

GROUNDS

This category includes contract grounds keeping/landscaping. The comparable data ranges from \$0.23 - \$0.72, and averages \$0.52 per square foot.

Based on this information, we project grounds expenses at \$0.50 per square foot.

SECURITY

This category includes payroll and contract costs for security staff, as well as any expenses associated with security systems. The comparable data ranges from \$0.02 - \$0.18, and averages \$0.11 per square foot.

Based on this information, we project security expenses at \$0.05 per square foot.

GENERAL/ADMINISTRATIVE

This category includes office-related expenses, legal and professional fees, licensing fees, and payroll costs for on-site personnel. The comparable data ranges from \$0.03 - \$0.04, and averages \$0.03 per square foot.

Based on this information, we project general/administrative expenses at \$0.05 per square foot.

MANAGEMENT

This category accounts for off-site management performed by the owner or third-party management company. The comparable data ranges from 1.4% - 4.9%, and averages 3.1% percent of EGI.

Based on this information, we project management expenses at 3.5% percent of EGI.

REPLACEMENT RESERVES

Based on our review of expense data for comparable properties, it appears that it is customary to account for replacement reserves implicitly in the capitalization rate; therefore, no projection of replacement reserves is included.

TOTAL OPERATING EXPENSES

Based on the foregoing, total operating expenses are estimated at \$281,948, or \$10.53 per square foot. This compares to the comparable data, which ranges from \$2.52 - \$8.27 per square foot.

NET OPERATING INCOME

Our income and expense projections result in a Year 1 net operating income of \$481,111, or \$17.97 per square foot, as summarized below.

PROJECTION OF NET OPERATING INCOME			
		Market Value As Is	
Income		Annual	\$/SF
Potential Gross Rent		\$803,220	\$30.00
Expense Reimbursements		\$0	\$0.00
Net Parking Income		\$0	\$0.00
Potential Gross Income		\$803,220	\$30.00
Vacancy & Collection Loss	5.00%	-\$40,161	-\$1.50
Other Income		\$0	\$0.00
Effective Gross Income		\$763,059	\$28.50
Expenses			
Real Estate Taxes		\$112,000	\$4.18
Insurance		\$6,694	\$0.25
Utilities		\$73,629	\$2.75
Repairs/Maintenance		\$20,081	\$0.75
Cleaning/Janitorial		\$26,774	\$1.00
Grounds		\$13,387	\$0.50
Security		\$1,339	\$0.05
General/Administrative		\$1,339	\$0.05
Management	3.50%	\$26,707	\$1.00
Total Expenses		\$281,948	\$10.53
Net Operating Income		\$481,111	\$17.97

DIRECT CAPITALIZATION

In order to convert the projected net operating income into value, we apply a market-derived capitalization rate. The capitalization rate considers the expected benefits and risks that could impact the subject's income over a typical holding period, including the property's income characteristics, physical attributes, and expected trending in the market. We have utilized capitalization rates from comparable sales and national investor surveys to support our selection of a capitalization rate.

COMPARABLE DATA

When adequate data is available, the overall rate is best derived from the comparable sales employed in the Sales Comparison Approach. The following table summarizes capitalization rates extracted from the comparable sales transactions.

CAPITALIZATION RATE COMPARABLES								
No.	Property/Location	City	State	Date of Sale	Year Built	Rentable Area	Effective	Cap Rate
A	1839 Iron Point	Folsom	CA	Mar-18	2006	28,874	\$266	5.60%
B	7745 Greenback Lane	Citrus Heights	CA	Jun-17	1990	22,188	\$225	6.71%
C	1831 Iron Point	Folsom	CA	Mar-17	2000's	11,272	\$284	5.90%
D	2620 21st	Sacramento	CA	Nov-17	1960	9,942	\$262	7.75%
E	210 Blue Ravine	Folsom	CA	Oct-17	2007	11,133	\$341	5.95%
F	100 Iron Point	Folsom	CA	May-18	2002	10,000	\$325	7.09%
G	8110 Timberlake Way	Sacramento	CA	Apr-17	1980	9,693	\$215	7.00%
H	9280 W Stockton Blvd	Elk Grove	CA	Mar-18	2006	48,324	\$252	6.75%
Range							5.60% - 7.75%	
Median							6.73%	
Average							6.59%	

The sales above indicate a wide range of capitalization rates from 5.60% - 7.75%, and average 6.59%. The median capitalization rate is 6.73%.

INVESTOR SURVEYS

The following table summarizes capitalization rate indicators compiled from PwC's Q1 2018 investor surveys:

INVESTOR SURVEYS			
Suburban Office			
	Q1 2018	Last Quarter	Last Year
Overall Cap Rate			
Range	4.00% - 9.50%	4.00% - 9.50%	4.00% - 9.50%
Average	6.38%	6.19%	6.18%
Source: PwC			

The survey data indicates that capitalization rates for the Suburban Office property type, which currently ranges from 4.00% - 9.50%, and averages 6.38%.

CAPITALIZATION RATE SUMMARY AND CONCLUSIONS

In the following table, we summarize all of the capitalization rate indicators that were discussed and analyzed in the prior sections to derive a range of rates that the subject property is likely to fall within. In order to arrive at the final capitalization rate conclusion, we assess the impact of various factors specific to the subject property.

SUMMARY OF CAPITALIZATION RATE INDICATIONS	
Indication	Cap Rate Range
Comparable Data - Average	6.73%
Investor Surveys - Average	6.38%
Overall Range	6.38% to 6.73%
APPRAISER RISK RATING	
Risk Category	Impact
Income Characteristics	Downward
Comments: The subject buildings are being analyzed as if each were an owner-user property. Owner-user buildings generally have lower implied capitalization rates as compared to leased fee sales.	
Competitive Market Position	Neutral
Comments: Good quality, consistent with competition.	
Market Conditions	Neutral
Comments: Stable conditions	
Upside/Downside Potential	Downward
Comments: Some upside for possible parcel split to create additional lot.	
Overall Impact	Neutral
CAPITALIZATION RATE CONCLUSION	
Market Value As Is	6.00%

DIRECT CAPITALIZATION CONCLUSION

The concluded capitalization rate is applied to our Year 1 projection of net operating income in order to arrive at stabilized market value conclusion. Line-item deduction is applied for conversion cost in order to arrive at the market value as is.

DIRECT CAPITALIZATION	
	Market Value As Is
Effective Gross Income	\$763,059
Expenses	\$281,948
Net Operating Income	\$481,111
Capitalization Rate	6.00%
Stabilized Value Indication	\$8,018,517
Adjustments	
Office Conversion Cost	-\$1,600,000
Total Adjustments	-\$1,600,000
Indicated Value	\$6,418,517
Rounded	\$6,400,000

CONVERSION COST

The subject buildings are designed as an event center. The market rent estimate and analysis assumed the property was in a traditional office finish-out. The floorplan of the buildings will need modifications to create typical office finish-out. This cost is estimated to be \$50-\$70 per square foot. An estimate of \$1,600,000 or \$58.76 per square foot is estimated for the conversion costs.

RECONCILIATION AND FINAL VALUE CONCLUSION

SUMMARY OF VALUE INDICATIONS

The values rendered by the applicable approaches are summarized below.

VALUE INDICATIONS	
Appraisal Premise	Market Value As Is
Effective Date	July 18, 2018
Approach	
Sales Comparison Approach	\$6,400,000
Income Capitalization Approach	\$6,400,000
Reconciled	\$6,400,000

The cost approach is most often relied upon when the improvements are new, nearly new, or proposed, allowing for an accurate estimate of depreciation. The Cost Approach is not deemed a reliable approach to value as the property suffers from economic and functional obsolescence. In addition, market participants for this type of property do not rely on this approach in arriving at values. For these reasons, this approach has not been utilized.

The sales comparison approach is most often relied upon when there is adequate data reflecting recent and relevant comparable sales. It is frequently the primary approach for owner-users, as it directly accounts for pricing of competitive properties with similar utility. There was adequate sales data available, and an owner-user is the most likely purchaser of the subject buildings; therefore, the sales comparison approach is given greatest weight in our reconciliation.

The Income Approach is the valuation method most commonly used by investors, as it considers the future income potential of the property. Reliance on direct capitalization or discounted cash flow analysis depends upon the specific income characteristics of a property, including length of existing leases, and anticipated cash flow patterns.

The most likely purchaser of the subject property is an owner-user who is unlikely to place emphasis on the income potential of the property; therefore, this approach is given secondary weight in our reconciliation.

FINAL OPINION OF VALUE

Based on the analyses undertaken, we have developed the following value opinion(s).

VALUE CONCLUSION			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Fee Simple	July 18, 2018	\$6,400,000

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

The values presented within this appraisal report are subject to the extraordinary assumptions and/or hypothetical conditions listed below. Pursuant to the requirement within Uniform Standards of Professional Appraisal Practice (USPAP, 2018-2019 Edition) Standards Rule 2-2(a)(xi), it is stated here that the use of any extraordinary assumptions might have affected the assignment results.

Extraordinary Assumption(s):

1. None

Hypothetical Condition(s):

1. None

EXPOSURE TIME AND MARKETING PERIOD

Exposure time is the amount of marketing time necessary in order for the subject to have sold on the effective date; therefore, exposure time is assumed to precede the current effective date. Marketing period is the amount of marketing time necessary in order for the subject property to sell at a price consistent with the concluded value. Unless a major shift is expected in market conditions, the marketing period will be similar to exposure time.

Based upon our review of comparable data and market trends, we estimate exposure time at 6 months, and the market period at 6 months.

CERTIFICATION

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved with this assignment.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. We have not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
9. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as applicable state laws and regulations.
10. The reported analyses, opinions, and Value Indications were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics, the Standards of Professional Appraisal Practice of the Appraisal Institute.
11. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. As of the date of this report, Scott Beebe, MAI, FRICS have completed the continuing education program for Designated Members of the Appraisal Institute.
13. Scott Beebe, MAI, FRICS personally inspected the property.

A handwritten signature in blue ink, appearing to read 'Scott Beebe', with a stylized, cursive script.

Scott Beebe, MAI, FRICS
California Certified General Appraiser
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STANDARD ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general assumptions:

1. Any legal description or plats reported herein are assumed to be accurate. Any sketches, surveys, plats, photographs, drawings or other exhibits are included only to assist the intended user to better understand and visualize the subject property, the environs, and the competitive data. We have made no survey of the property and assume no responsibility in connection with such matters.
2. The appraiser has not conducted any engineering or architectural surveys in connection with this appraisal assignment. Information reported pertaining to dimensions, sizes, and areas is either based on measurements taken by the appraiser or the appraiser's staff or was obtained or taken from referenced sources and is considered reliable. No responsibility is assumed for the costs of preparation or for arranging geotechnical engineering, architectural, or other types of studies, surveys, or inspections that require the expertise of a qualified professional.
3. No responsibility is assumed for matters legal in nature. Title is assumed to be good and marketable and in leased fee unless otherwise stated in the report. The property is considered to be free and clear of existing liens, easements, restrictions, and encumbrances, except as stated.
4. Unless otherwise stated herein, it is assumed there are no encroachments or violations of any zoning or other regulations affecting the subject property and the utilization of the and improvements is within the boundaries or property lines of the property described and that there are no trespasses or encroachments.
5. BBG, Inc. assumes there are no private deed restrictions affecting the property which would limit the use of the subject property in any way.
6. It is assumed the subject property is not adversely affected by the potential of floods; unless otherwise stated herein.
7. It is assumed all water and sewer facilities (existing and proposed) are or will be in good working order and are or will be of sufficient size to adequately serve any proposed buildings.
8. Unless otherwise stated within the report, the depiction of the physical condition of the improvements described herein is based on visual inspection. No liability is assumed for the soundness of structural members since no engineering tests were conducted. No liability is assumed for the condition of mechanical equipment, plumbing, or electrical components, as complete tests were not made. No responsibility is assumed for hidden, unapparent or masked property conditions or characteristics that were not clearly apparent during our inspection.
9. If building improvements are present on the site, no significant evidence of termite damage or infestation was observed during our physical inspection, unless so stated in the report. No termite inspection report was available, unless so stated in the report. No responsibility is assumed for hidden damages or infestation.
10. Any proposed or incomplete improvements included in this report are assumed to be satisfactorily completed in a workmanlike manner or will be thus completed within a reasonable length of time according to plans and specifications submitted.
11. No responsibility is assumed for hidden defects or for conformity to specific governmental requirements, such as fire, building, safety, earthquake, or occupancy codes, except where specific professional or governmental inspections have been completed and reported in the appraisal report.

12. Responsible ownership and competent property management are assumed.
13. The appraisers assume no responsibility for any changes in economic or physical conditions which occur following the effective date of value within this report that would influence or potentially affect the analyses, opinions, or conclusions in the report. Any subsequent changes are beyond the scope of the report.
14. The value opinions reported herein apply to the entire property. Any proration or division of the total into fractional interests will invalidate the value opinions, unless such proration or division of interests is set forth in the report.
15. Any division of the and improvement values opined herein is applicable only under the program of utilization shown. These separate valuations are invalidated by any other application.
16. Unless otherwise stated in the report, only the real property is considered, so no consideration is given to the value of personal property or equipment located on the premises or the costs of moving or relocating such personal property or equipment.
17. Unless otherwise stated, it is assumed that there are no subsurface oil, gas or other mineral deposits or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered; unless otherwise stated. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
18. Any projections of income and expenses, including the reversion at time of resale, are not predictions of the future. Rather, they are our best estimates of current market thinking of what future trends will be. No warranty or representation is made that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of an appraiser to estimate the conditions of a future real estate market, but rather to reflect what the investment community envisions for the future in terms of expectations of growth in rental rates, expenses, and supply and demand. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
19. Unless subsoil opinions based upon engineering core borings were furnished, it is assumed there are no subsoil defects present, which would impair development of the to its maximum permitted use or would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
20. BBG, Inc. representatives are not experts in determining the presence or absence of hazardous substances, defined as all hazardous or toxic materials, wastes, pollutants or contaminants (including, but not limited to, asbestos, PCB, UFFI, or other raw materials or chemicals) used in construction or otherwise present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such substances or for loss as a result of the presence of such substances. Appraisers are not qualified to detect such substances. The client is urged to retain an expert in this field.
21. We are not experts in determining the habitat for protected or endangered species, including, but not limited to, animal or plant life (such as bald eagles, gophers, tortoises, etc.) that may be present on the property. We assume no responsibility for the studies or analyses which would be required to determine the presence or absence of such species or for loss as a result of the presence of such species. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent endangered species impact studies, research, and investigation that may be provided.
22. No environmental impact studies were either requested or made in conjunction with this analysis. The appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent environmental impact studies, research, and investigation that may be provided.

23. The appraisal is based on the premise that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value opinion.
24. Neither all nor any part of the contents of this report or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales, or any other media, without the prior written consent and approval of the appraisers. This limitation pertains to any valuation conclusions, the identity of the analyst or the firm and any reference to the professional organization of which the appraiser is affiliated or to the designations thereof.
25. Although the appraiser has made, insofar as is practical, every effort to verify as factual and true all information and data set forth in this report, no responsibility is assumed for the accuracy of any information furnished the appraiser either by the client or others. If for any reason, future investigations should prove any data to be in substantial variance with that presented in this report, the appraiser reserves the right to alter or change any or all analyses, opinions, or conclusions and/or opinions of value.
26. If this report has been prepared in a so-called "public non-disclosure" state, real estate sales prices and other data, such as rents, prices, and financing, are not a matter of public record. If this is such a "non-disclosure" state, although extensive effort has been expended to verify pertinent data with buyers, sellers, brokers, lenders, lessors, lessees, and other sources considered reliable, it has not always been possible to independently verify all significant facts. In these instances, the appraiser may have relied on verification obtained and reported by appraisers outside of our office. Also, as necessary, assumptions and adjustments have been made based on comparisons and analyses using data in the report and on interviews with market participants. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
27. The American Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirements of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
28. This appraisal report has been prepared for the exclusive benefit of the client. It may not be used or relied upon by any other party. Any other party who is not the identified client within this report who uses or relies upon any information in this report does so at their own risk.
29. The dollar amount of any value opinion herein rendered is based upon the purchasing power and price of the United States dollar as of the effective date of value. This appraisal is based on market conditions existing as of the date of this appraisal.
30. The right is reserved by the appraiser to make adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available. No change of this report shall be made by anyone other than the appraiser or appraisers. The appraiser(s) shall have no responsibility for any unauthorized change(s) to the report.
31. If the client instructions to the appraiser were to inspect only the exterior of the improvements in the appraisal process, the physical attributes of the property were observed from the street(s) as of the inspection date of the appraisal. Physical characteristics of the property were obtained from tax assessment records, available plans, if any, descriptive information, and interviewing the client and other knowledgeable persons. It is

assumed the interior of the subject property is consistent with the exterior conditions as observed and that other information relied upon is accurate.

32. The submission of this report constitutes completion of the services authorized. It is submitted on the condition the client will provide reasonable notice and customary compensation, including expert witness fees, relating to any subsequent required attendance at conferences, depositions, and judicial or administrative proceedings. In the event the appraiser is subpoenaed for either an appearance or a request to produce documents, a best effort will be made to notify the client immediately. The client has the sole responsibility for obtaining a protective order, providing legal instruction not to appear with the appraisal report and related work files and will answer all questions pertaining to the assignment, the preparation of the report, and the reasoning used to formulate the opinion of value. Unless paid in whole or in part by the party issuing the subpoena or by another party of interest in the matter, the client is responsible for all unpaid fees resulting from the appearance or production of documents regardless of who orders the work.
33. Use of this appraisal report constitutes acknowledgement and acceptance of the general assumptions and limiting conditions, special assumptions (if any), extraordinary assumptions (if any), and hypothetical conditions (if any) on which this opinion of market value is based.
34. If provided, the opinion of insurable value is included at the request of the client and has not been performed by a qualified insurance agent or risk management underwriter. This cost estimate should not be solely relied upon for insurable value purposes. The appraisers are not familiar with the definition of insurable value from the insurance provider, the local governmental underwriting regulations, or the types of insurance coverage available. These factors can impact cost estimates and are beyond the scope of the intended use of this appraisal. The appraisers are not cost experts in cost estimating for insurance purposes.

ADDENDA

APPRAISER QUALIFICATIONS

**Scott Beebe, MAI, FRICS**

Senior Managing Director

Work: 916-949-7360

sbeebe@bbgres.com

PROFILE

Scott Beebe is a Senior Managing Director at BBG in the Sacramento office. Mr. Beebe has over 30 years of experience in the valuation and analysis of commercial real estate including multi-family, retail, industrial, office, mixed-use and development land. Prior to BBG, Scott was one of the founding partners of Integra Realty Resources in 1999. Specialized property types include all types of lodging facilities, affordable housing, senior apartment communities, sports and health club facilities, golf course properties, automobile dealerships, manufactured home parks, self-storage facilities, regional malls and power centers and others.

Mr. Beebe has provided valuation and consulting services for condemnation purposes, estate, financing, equity participation and due diligence support. Specialized services include portfolio valuations, institutional-grade property valuations, market feasibility studies and acquisition/disposition counseling. Mr. Beebe has testified as an expert witness in superior and municipal courts. Clients served include life insurance companies, pension funds and pension fund advisors, banks and financial institutions, conduits, developers and investors, law firms, businesses/ corporations and government.

PROFESSIONAL AFFILIATIONS & LICENCES

Appraisal Institute, Member (MAI)

Royal Institute of Chartered Surveyors, Fellow (FRICS)

Lambda Alpha International – Honorary Land Economics Society

Board Director, Sacramento Sierra Chapter, Current Board Member and 2000-2002

Education Committee Member & Chair, (1996-2002)

General Certified Appraiser:

State of California (License # AG 015266)

EDUCATION

B.B.A. Degree, Business Administration, University of Texas, Austin, Texas, 1988

Successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others.

Currently certified by the Appraisal Institute's voluntary program of continuing education for its designated members



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Michael S. Beebe

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 015266

Effective Date: February 11, 2017
Date Expires: February 10, 2019


Jim Martin, Bureau Chief, BREA

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