

CARDIFF TERRACE

TOWNHOME LOT LEASE
UNIVERSITY OF CALIFORNIA
SANTA CRUZ

6/16/86

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CARDIFF TERRACE

TOWNHOME LOT LEASE

This TOWNHOME LOT LEASE is made and entered into as of this day of _____, 19____, by and between THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation ("The Regents"), and _____ (the "Home Owner").

PREAMBLE

1. The Regents is the owner of certain real property which is located adjacent to Cooledge Drive, Santa Cruz County, State of California, described in Exhibit Second to this Townhome Lot Lease (the "Property") of which Lot _____ (as described in Exhibit First hereof) is a part.

2. The Regents intends to develop fifty (50) units of for-sale housing and to permit certain lessees to construct an additional 11 houses on the Property ("Residences") for the principal benefit and convenience of the members of the faculty and management program employees of the University of California, Santa Cruz (the "Housing Program").

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

4. Home Owner seeks to lease a Lot from The Regents and purchase a Residence located on the Lot.

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

ARTICLE I - DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. As used in this Lot Lease:

(a) "Academic Senate" means the Academic Senate of the University of California, Santa Cruz.

(b) "ARB" means the Architectural Review Board established pursuant to Article IX, Section 1 of the CC&Rs.

(c) "Association" means the Cardiff Terrace Homeowners Association, a California mutual benefit corporation, its successors and assigns.

(d) "Common Area" means the real property leased pursuant to the Common Area Lease by The Regents to the Association for the common use and enjoyment of the owners of housing units constructed under the Housing Program.

(e) "Common Area Lease" means that certain ground lease (or any amendment thereof or addition or successor agreement thereto) by and between The Regents as lessor and the Association as lessee for all land within the Property other than that leased or to be leased to members of the Association.

(f) "Covenants, Conditions and Restrictions" or "CC&Rs" means the Declaration of Covenants, Conditions and Restrictions for Cardiff Terrace Homes which was recorded on July 10, 1986, as Instrument No. 037319, Official Records of the County of Santa Cruz, State of California. And Amendment thereto recorded July 25, 1986, under Serial No. 041042; February 4, 1987 under**

(g) "Home Owner" means the lessee identified in the first paragraph of this Lot Lease.

(h) "Housing Program" means the program approved by The Regents for the development and construction of for-sale houses in a community to be known as Cardiff Terrace, for the benefit of the faculty and staff of the University, and includes any amendments or modification to such Program which, after approval by The Regents, may from time to time be made.

(i) "Lender" means any person, including The Regents, any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, or other lending institution of substance (including secondary market mortgage purchasers) which performs functions similar to any of the foregoing, which makes or is the assignee of a loan to the Home Owner secured by a deed of trust on the Residence located on the Lot.

(j) "Lot" means that particular subdivided parcel of the Property described in Exhibit First to this Lot Lease.

(k) "Lot Lease" means this Townhome Lot Lease by and between The Regents and Home Owner.

(l) "Lot Lease Interest Rate" means ten percent (10%) per annum, provided that if, at the time of its imposition

**Serial No. 007562; and August 27, 1991 under Serial No. 054531 Official Records of Santa Cruz County.

pursuant to the terms of this Lot Lease, such rate shall be deemed to be usurious, the term "Lot Lease Interest Rate" shall mean the highest interest rate then permitted by law.

(m) "Maximum Resale Price" means the maximum permitted resale price of the Property and the improvements located thereon as determined pursuant to the provisions of Section 3.07 of this Lot Lease.

(n) "Non-University-Associated Person" means any person other than a University-Associated Person.

(o) "Person" means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity as the context may require.

(p) "Property" means that certain real property located adjacent to Coolidge Drive, Santa Cruz County, State of California, described in Exhibit Second to this Lot Lease plus such real property as may be annexed to the Property pursuant to Article XX of the CC&Rs.

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

(r) "Regulations" means the Cardiff Terrace Property Use and Maintenance Regulations (which include the Cardiff Terrace Architectural Guidelines and Standards), as set forth in Exhibit Third to this Lot Lease and as hereafter amended.

(s) "Residence" means the residential structure or structures including patio areas and garages now, or hereafter during the term hereof, located on the Lot.

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

(u) "Townhome" means any Residence located on the Property which shares at least one common wall or any common roof area with any other Residence.

(v) "University" means the University of California.

Section 1.02. Exhibits. All of the Exhibits to this Lot Lease are incorporated by reference in this Lot Lease and shall,

together with this Lot Lease, be deemed one and the same instrument.

ARTICLE II - TRANSFER OF LEASEHOLD
INTEREST AND BASIC TERMS OF LOT LEASE

Section 2.01. Transfer of Leasehold Interest in Property.

In consideration of the faithful performance by Home Owner of this Lot Lease, The Regents leases the Lot to Home Owner and Home Owner leases the Lot from The Regents, together with all rights and privileges pertaining to the Lot, subject, however, to the CC&Rs and any other covenants, conditions, restrictions, limitations, licenses, rights of way and other matters of record.

Section 2.02. Term. This Lot Lease shall commence on the date first above written and shall end December 31, 2045; subject, however, to the provisions of Section 3.04 of this Lot Lease and to earlier termination as provided in this Lot Lease.

Section 2.03. Lot Lease Rental.

(a) In consideration of the leasing of the Property, Home Owner shall pay to The Regents rent of \$600.00 per year, subject to increases, in the discretion of The Regents, by an amount not to exceed 8% of the previous year's rent, such increases to take effect and be payable on each January 1st during the Lease Term. Unless otherwise agreed to by The Regents, Home Owner shall pay rent on the first day of each month, and such payment shall, to the extent possible, be deducted from Home Owner's salary by The Regents. Payments for partial years shall be prorated on a 360 day year.

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

Section 2.04. State of Title.

(a) The Regents represents and warrants that The Regents' title to the Lot is now free and clear of any lien, charge, encumbrance, or claim except for those of record, and shall so remain throughout the term of this Lot Lease except as otherwise provided in this Lot Lease.

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

Section 2.05. Uses and Purposes.

(a) Home Owner shall not use or permit any other person to use the Lot or the Residence in any way that constitutes a nuisance. Home Owner shall conform to, and cause any person using or occupying the Residence and any person present in the Common Area by license or invitation of Home Owner, to comply with the CC&Rs, the Regulations and with all other applicable public laws, ordinances, and regulations (including all University regulations). Home Owner will hold harmless The Regents from any penalty, damages, or charge imposed for any violation of the CC&Rs, the Regulations or of any law, ordinance, or other regulation applicable to the use and occupancy of the Lot, Residence or Common Area occasioned by the negligent or willful act or omission of Home Owner or by any person present therein or thereon by license or invitation of Home Owner.

(b) Notwithstanding Section 2.05(a), above, Home Owner shall have the right to contest, by appropriate judicial or administrative proceedings, without cost or expense to The Regents, the validity or application of any present or future law, ordinance or regulation which restricts use of the Lot, Residence or Common Area or which requires Home Owner to repair, maintain, alter, or replace the Residence, provided that Home Owner shall not have the right to contest the validity or application of the Regulations. Home Owner shall not be in default under this Lot Lease for failing to commence repairs, maintenance, alterations, or replacements until a reasonable time following the final judgment and conclusion of appeals in any such administrative or judicial proceedings, provided that Home Owner shall protect The Regents, the Residence and the Lot from any lien by adequate surety bond or other appropriate security. Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Lot or Residence to foreclosure or execution sale.

(c) Home Owner shall not, without the express prior approval of The Regents, the Association or the ARB, requested and rendered in accordance with the requirements of the CC&Rs, permit the demolition or removal of any improvement or fixture located on the Lot.

Section 2.06. Taxes and Assessments.

(a) Home Owner may become subject to the payment of property taxes as well as other taxes and assessments imposed by governmental entities against the Lot. In such event, Home Owner shall have sole responsibility for, and shall pay when due all such taxes and assessments. Any such tax or assessment may be

paid in installments when so allowed by the taxing or assessing governmental entity.

(b) Home Owner agrees to hold harmless The Regents from the payment of any tax or assessment required to be paid pursuant to subsection 2.06(a), above. Subject to the provisions of subsection 2.06(c), below, Home Owner will prevent any such tax or assessment from becoming a delinquency lien upon the Lot or Residence. If the payment of any such tax or assessment shall be more than ninety (90) days delinquent, The Regents shall have the right, but not the obligation, to pay such tax or assessment. If The Regents makes any such payment, the amount of the payment shall be immediately due and payable to The Regents by Home Owner and shall bear interest pending payment by Home Owner at the Lot Lease Interest Rate.

(c) Home Owner shall pay when due each and every fee, charge or assessment duly levied against the Residence by the Association pursuant to Article V of the CC&Rs.

(d) Home Owner shall have the right, at his or her own cost, to refuse to pay and to contest the amount or validity of any tax or assessment by an appropriate proceeding diligently conducted in good faith. However, Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Lot or Residence to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, The Regents shall not have the right to pay, remove, or discharge any tax or assessment so contested, provided that Home Owner shall protect The Regents, the Lot and the Residence from any lien by adequate surety bond or other security.

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

Section 2.07. Insurance.

(a) Except as provided in this clause, Home Owner shall not separately insure the Residence against loss by fire or other casualty covered by any insurance carried by The Association pursuant to Article VI, Section 1 of the CC&Rs. If Home Owner violates this provision, any diminution in insurance proceeds otherwise payable under policies described in Article VI, Section 1 of the CC&Rs that results from the existence of other such insurance will be chargeable to Home Owner, and Home Owner will be liable to the Association to the

extent of such diminution. Home Owner may insure his or her personal property against loss. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, The Regents and the first mortgagee of the Residence.

(b) If, for any reason, the Association shall fail to maintain the policy of insurance described in Article VI, Section 1 of the CC&Rs, Home Owner shall, at Home Owner's sole cost and expense, keep all of Home Owner's improvements on the Lot insured at all times throughout the term of this Lot Lease (including any period of time during which any building is in the process of construction, remodeling or demolition), against loss or damage by fire or such other hazards as are encompassed within the standard extended coverage endorsement approved for use in the State of California in an amount not less than ninety percent (90%) of the full insurable value of the improvements, provided that such insurance is ordinarily and customarily available.

(c) All insurance provided for in this Section 2.07 shall be effected under valid and enforceable policies issued by insurers licensed to do so in the State of California and shall name The Regents as an additional insured.

Section 2.08. Ownership of Improvements. The Residence and all other improvements made or constructed on the Lot following the effective date of this Lot Lease shall be the property of Home Owner or of Successor Home Owners during the term of this Lot Lease. Upon expiration or termination of this Lot Lease, the Residence and all other improvements located on the Lot shall become the property of The Regents, subject to the provisions of Section 6.06 of this Lot Lease.

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

Section 2.10. Nonliability of The Regents. This Lot Lease is made on the express condition that The Regents shall be free from all liability or loss by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether on the Lot, or in any way connected with the Lot or with the improvements or personal property on the Lot, including any liability for injury or death to the person or damage to or loss of property of Home Owner, his or her agents, officers, servants, or employees except to the extent that said injury or damage is caused by the willful or negligent act or omission of The Regents. Accordingly, in addition to the assurances set forth in sections 2.05, 2.06, 2.11 and 4.05 of this Lot Lease, Home Owner

agrees to hold harmless The Regents, its officers, employees, and agents from any and all liability, loss, cost, or obligation on account of, or arising out of, any such injury or loss. Home Owner assumes all risks of injury or death of any person or damage to or loss of any property of Home Owner and any property under the control or custody of Home Owner while upon the Lot.

Section 2.11. Liens and Encumbrances. Subject to sections 2.06 and 5.02 of this Lot Lease, Home Owner will keep the Lot free and clear of any liens or encumbrances created by Home Owner's acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies, or equipment to Home Owner. Home Owner will hold harmless The Regents from any such liens, claims, or demands, and from any related costs, damages, or liability.

Section 2.12. Destruction and Restoration. If, during the term of this Lot Lease, the Residence is wholly or partially destroyed by a risk covered by insurance carried by Home Owner pursuant to Section 2.07(b), Home Owner shall promptly restore the Residence to substantially the original specifications, except as to variations required by law or as approved pursuant to Section 3.01, as it was immediately prior to such destruction, and such destruction shall not terminate this Lot Lease.

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

Section 3.01. Plans and Specifications.

(a) Before any construction or renovation on the Lot by Home Owner (i) affecting the outward appearance of the Lot or the Residence or (ii) affecting the structural or operational integrity of the Residence, Home Owner shall submit to the ARB plans and specifications for such construction or renovation. Such plans and specifications shall be in such detail and prepared in such manner as prescribed in the Regulations and as may reasonably be required to permit the ARB to make an informed judgment as to the overall design and manner of construction of the proposed construction or renovation. No such construction or renovation shall be undertaken by Home Owner without ARB's written approval of the plans and specifications.

(b) Approval by the ARB of plans and specifications as required by this Section 3.01 shall not make the Association or The Regents responsible or liable to Home Owner or to third persons for the design, construction, or quality of any improvement or renovation with respect to which its approval is given.

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

Section 3.02. Demolition of Improvements. During the term of this Lot Lease, Home Owner shall not demolish any structure on the Lot without the express written consent of The Regents. Such consent shall be entirely within The Regents' discretion to grant or to withhold. Any consent by The Regents to such a request may be conditioned upon a requirement that Home Owner immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 3.01 of this Lot Lease and shall be otherwise consistent with the terms of this Lot Lease.

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

Section 3.04. Assignments.

(a) Home Owner may, subject to subsection (b) of this Section 3.04 and to sections 3.05, 3.06, 3.07, and 3.08 of this Lot Lease, sell and convey his or her Residence and assign his or her interest under this Lot Lease in the Lot solely pursuant to the procedures and priorities set forth in Article XII of the CC&Rs. Upon the above-described sale, if the remaining term of this Lot Lease is less than forty (40) years, the Successor Home Owner purchasing the Residence may request that (i) this Lot Lease be terminated and (ii) a new lease from The Regents be granted on the same general terms as this Lot Lease, except that the term of such new lease shall not exceed sixty (60) years. Each subsequent qualifying purchaser under Article XII of the CC&Rs shall have similar rights to request that this Lot Lease or the then applicable lease be terminated and a new lease from The Regents be granted for a term not to exceed sixty (60) years. The Regents will consider such requests in good faith and act favorably thereon if, in The Regents' judgment, the goals of the Housing Program will be furthered thereby.

(b) An assignment by Home Owner described in subsection (a) of this Section 3.04 will be effective only if, at the time of such assignment, Home Owner shall (i) pay any and all assessments due and owing which may have been imposed pursuant to the powers reserved to the Association or, if any such assessment

has been imposed but is not yet due and owing, pay the prorated portion that is attributable to the portion of the year during which Home Owner held an interest in the Lot; and (ii) repay to The Regents (with interest, if any) the full amount owing and payable as a result of any cash assistance or loans made by The Regents to Home Owner in connection with Home Owner's occupancy of the Residence.

Section 3.05. University's Option to Terminate Lease and to Purchase Residence. Except as provided for herein in Section 5.02 of this Lot Lease with respect to the rights of Lenders, if an ownership interest of greater than fifty percent (50%) in the Residence shall pass, whether by conveyance, will, operation of law, or otherwise, to any person who is not a "Qualified Person" or a "Conditionally Qualified Person" as those terms are defined in Article XI of the CC&Rs, or if Home Owner shall, at any time, cease to be a Qualified Person or Conditionally Qualified Person, the University may, at any time thereafter, terminate this Lot Lease forty-five (45) days after notice to Home Owner of its intention to do so. Any event described in the preceding sentence shall also constitute an irrevocable offer to the University to sell the Residence to the University or its designee, at the price and on the terms set forth in Article XII, sections 2 and 3 of the CC&Rs.

Section 3.06. Use of Property for Residential Purposes.

(a) Except as provided in subsections (b), (c), and (f) of this Section 3.06, Home Owner shall reside on the Lot, and the Residence shall be used only as the principal place of residence of Home Owner and for no other purpose.

(b) If Home Owner, with the consent of The Regents and the Association, in accordance with the requirements of the CC&Rs and this Lot Lease, demolishes the Residence, the requirement of subsection (a) of this Section 3.06 shall not be applicable until such time as a new housing unit is constructed on the Lot, provided that construction of such housing unit shall begin within six (6) months of the date on which demolition of the prior housing unit commenced.

(c) Subject to the Regulations and to other rules applicable to the Project generally which may be promulgated by the Association, Home Owner may rent a Residence solely in compliance with Article XII, Section 7 of the CC&Rs.

(d) The Regents may require Home Owner to provide such information as may be reasonably necessary to determine compliance with the provisions of this Section 3.06.

(e) If The Regents determines that Home Owner is in violation of the requirements of this Section 3.06, and if Home Owner shall fail, within thirty (30) days of receipt of written notice of such determination to comply herewith, such failure shall constitute an irrevocable offer by Home Owner to terminate the Lot Lease and to sell the Residence thereon to The Regents at the price and on the same terms and conditions as specified in subsection (a) of Section 3.05 of this Lot Lease.

(f) Nothing contained in this Section 3.06 shall prohibit a Lender from holding an interest in the Lot following a foreclosure or a transfer by a deed-in-lieu of foreclosure of the Residence.

Section 3.07. Resale Price Limitations. To assure that the Residences constructed on the Property will remain affordable by University-Associated Persons, the parties agree to impose a resale price limitation on the assignment of rights under this Lot Lease and the sales of the Residence. To accomplish this purpose, this Lot Lease may not be assigned nor may the Residence be sold by Home Owner at a price for such assignment and sale that is greater than the purchase price determined under Article XII, Section 2 of the CC&Rs, nor more favorable to Home Owner than as set forth in Article XII, Section 3 of the CC&Rs, except as provided in Article XII, Section 1(e) of the CC&Rs and subsections (f) and (h) of Section 5.02 of this Lot Lease.

Section 3.08. Notices of Transfer and Sales Price. No later than thirty (30) days prior to the closing of any transaction as described in Section 3.04 of this Lot Lease, Home Owner shall notify the Association and The Regents of the proposed transaction. The notice shall (a) identify the Successor Home Owner and describe his or her relationship to the University, and (b) set forth the proposed sales price, such notice to be accompanied by adequate documentation (in such form as may be prescribed by The Regents) by Home Owner and Successor Home Owner. The price as submitted and documented shall be the purchase price used in calculating the appreciation derived by the Successor Home Owner upon subsequent resale/reassignment. The Regents may from time to time specify other information which must be included in such notice.

Section 3.09. Effect of Assignment to a Successor Home Owner.

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

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

Section 3.10. Limitation of Rights of Assignment or Subletting. Except as provided in Section 5.02 of this Lot Lease or as may be expressly approved by The Regents, Home Owner shall not grant, assign, sublease, exchange, or otherwise transfer any rights under this Lot Lease other than in conformity with the provisions of this Article III, nor attempt to sell, grant, transfer, lease or otherwise convey any interest in the Residence other than in conformity with Article XII of the CC&Rs. Any such attempted sale, grant, assignment, lease, sublease, exchange, or other transfer shall constitute a breach of this Lot Lease, and shall be void and of no force or effect.

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

Section 4.01. Entry by The Regents. Except as described below, no representative of The Regents or Association may enter any improvement of Home Owner on the Lot without Home Owner's prior consent, except in case of an emergency that appears to threaten injury to any person or destruction of any improvements. Representatives of The Regents or the Association shall have the right to inspect improvements under construction and, upon their completion, to ascertain that such improvements comply with the plans and specifications approved by the ARB, as provided in Section 3.01 of this Lot Lease.

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

Section 4.03. Easements.

(a) The Regents reserves an easement across the Lot which may be assigned to the Association for maintenance and

upkeep purposes. The Regents also reserves the right to grant easements across the Lot to utility companies and public agencies for the purpose of installing, operating, or maintaining lines or conduits for electricity, cable television, telephones, sewers, water, gas sprinkling systems, and similar public or quasi-public facilities. No such easement shall unreasonably interfere with the use, occupancy, or enjoyment of the Lot by Home Owner.

(b) The Regents reserves an exclusive easement which it assigns to the Association for the repair and maintenance of all exterior walls and surfaces and all roof areas of the Residence, and Home Owner shall make no repairs or alterations to such walls, surfaces, or roof areas, and shall not paint or perform other maintenance work on them without the Association's express approval.

(c) If any portion of the Common Area encroaches on the Lot or if any portion of the Lot encroaches on Common Area, a valid easement shall be deemed to exist for such encroachment and for the maintenance of such encroachment.

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

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

Section 4.04. Estoppel Certificates. At The Regents' request, Home Owner will execute, acknowledge and deliver a certificate certifying (i) that this Lot Lease is unmodified and in full force and effect (or, if there has been any modification, that this Lot Lease is in full force and effect as modified and stating the modification); (ii) the date to which the rent has been paid; (iii) that there are no existing offsets or defenses against the enforcement of any term of this Lot Lease on the part of Home Owner (or, if so, specifying the same); and (iv) that no notice has been given to Home Owner of any default which has not been cured.

Section 4.05. Brokerage Commissions. Each party will hold the other harmless from and against any real estate brokerage commission or other such obligation incurred by the party using such brokerage services as the result of the negotiation or execution of this Lot Lease or any assignment of this Lot Lease.

Section 4.06. Compliance with the Regulations. Home Owner shall comply with the requirements respecting maintenance and use of the Property set forth in the Regulations, and failure to

comply shall constitute a breach of this Lot Lease and give rise to a cause of action by The Regents for the recovery of damages or for injunctive relief, or both.

ARTICLE V - NONSUBORDINATION AND PERMITTED
ENCUMBRANCES BY THE HOME OWNER

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

Section 5.02. Permitted Encumbrances by Home Owner.

(a) Home Owner shall have the right, without obtaining the consent of The Regents, to assign all or part of Home Owner's interest under this Lot Lease as security to any Lender pursuant to a deed of trust or other security instrument. In such event, The Regents will execute all necessary papers reasonably required by such Lender, provided that The Regents shall not be required to sign any note or deed of trust or otherwise become obligated to any Lender, and provided further, that no such encumbrance shall constitute a lien upon The Regents' ownership interest in the Lot.

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

(c) Upon the recording of any deed of trust described in Section 5.02(a), above, Home Owner shall, at Home Owner's expense, record in the office of the Santa Cruz County Recorder a written request, executed and acknowledged by The Regents, for a copy of all notices of default and all notices of sale under such deed of trust as provided by the laws of California. Inclusion in the recorded deed of trust of a requirement for notices to be sent to The Regents shall constitute compliance with this provision.

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

(e) Any deed of trust or similar security instrument in connection with improvements constructed or to be constructed on the Lot shall provide that, prior to the institution of any proceeding to foreclose any such instrument or negotiations to accept an assignment in lieu of the foreclosure of any such instrument, the holder or beneficiary of such instrument shall notify The Regents to that effect.

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

(i) For a period of at least thirty (30) days following notification by the Lender to The Regents of the Lender's intent to assign its interest in the Lot and sell the Residence as provided in subsection (e) of this Section 5.02, The Regents shall have the option to accept such assignment and to purchase Lender's interest in the Residence at a price equal to the full amount then owing under the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage up to the date of sale except for the transfer, real property taxes that have been paid by the Lender or have accrued on the Lot and Residence, the reasonable fees of the attorneys for the Lender, statutory costs and allowances permitted in connection with the foreclosure or other proceeding, and any other reasonable holding costs incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure. Such option of the The Regents shall be fully and freely assignable to such persons and upon such terms and conditions as the The Regents in its sole and absolute discretion may determine. If the The Regents or its assignee notifies the Lender within the thirty (30) day period that the option of The Regents will be exercised, the assignment and sale transaction between The Regents or its assignee and the Lender shall be closed within sixty (60) days after the giving of such notice.

(ii) Upon expiration of the thirty (30) day period described in paragraph (i) above (or sooner if The Regents notifies the Lender that The Regents declines to exercise or assign its option), the Lender's interest in the Lot and Residence must, for a period of at least thirty (30) days, be offered for assignment and sale to the members of the Academic Senate and to the salaried management of The Regents at the same price and on the same terms as set forth in paragraph (i) above.

(iii) Upon the expiration of the thirty (30) day period described in paragraph (ii) above, the Lender's interest in the Lot and the Residence may be offered for assignment and sale to the general public.

The Lender shall be considered to have fulfilled the offering requirements of clause (ii), above, by notifying The Regents, as provided in Section 7.04(b) hereof, of an intent to assign and sell under such clause together with the terms of such assignment and sale. Any assignment or transfer by any such Lender that does not comply with the requirements of this subsection (f) and subsection (g) of this Section 5.02 shall be void and of no force or effect.

(g) The provisions of Section 3.04 of this Lot Lease shall apply to the offering process described in subsection (f) of this Section 5.02 to the same extent as if subsection (f) were specifically mentioned in those subsections.

(h) Regardless of any other provision of this Lot Lease, the maximum resale price of the Residence if acquired by a Lender as described in Section 5.02(f), above, shall be the greater of (i) the Maximum Resale Price for the Residence as established pursuant to Section 3.07 of this Lot Lease or (ii) an amount equal to the full amount then owing on the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage except for the transfer up to the date of sale, real property taxes that have been paid by the Lender or have accrued on the Lot and Residence, the reasonable fees of the attorneys for the Lender, statutory costs and allowances permitted in connection with the foreclosure or other proceeding, and any other reasonable holding costs incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure.

(i) The Lender and any Successor Home Owner shall be required to perform Home Owner's obligations under this Lot Lease for as long as such assignee of transferee holds a leasehold interest in the Lot.

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

(k) The notification provisions of Section 3.08 of this Lot Lease shall apply to any assignment and sale transaction

under this Section 5.02, except insofar as such application may be impractical in the case of a foreclosure sale under any deed of trust described in Section 5.02(a) above, a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

(1) Except as provided in Section 6.08 of this Lot Lease, there shall be no modification, mutual termination, or surrender of this Lot Lease by The Regents and Home Owner without the prior written consent of each Lender that is a beneficiary of a deed of trust described in Section 5.02(a) above, and whose interest could be affected by such action.

ARTICLE VI - DEFAULT, TERMINATION AND CONDEMNATION

Section 6.01. Default by Home Owner.

(a) Subject to the provisions of Section 6.01(b), below, if Home Owner shall fail to remedy any default in the payment of rental due under this Lot Lease for thirty (30) days after notice of such default, or fail to remedy any default with respect to any of the other provisions, covenants, or conditions of this Lot Lease to be kept or performed by Home Owner within sixty (60) days after notice of such default, or such additional time as is reasonably required to cure such default, The Regents shall have the right to terminate this Lot Lease and Home Owner's right to possession of the Lot and Residence by giving notice of such termination to Home Owner and any Lender under a deed of trust described in Section 5.02 of this Lot Lease.

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

(i) within forty-five (45) days after the giving of notice to the Lender by The Regents' intention to terminate this Lot Lease for such default or breach, shall cure such default or breach if the same can be cured by the payment or expenditure of money; or

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

(iii) if such default or breach is not curable as provided under clauses (i) or (ii) of this subsection, shall institute and complete judicial or nonjudicial foreclosure

proceedings or otherwise acquire Home Owner's interest with due diligence, and keep and perform all of the covenants and conditions of this Lot Lease requiring the payment or expenditure of money by Home Owner until such time as Home Owner's interest shall be sold upon foreclosure pursuant to the deed of trust or shall be released or reconveyed thereunder, provided that a Lender shall not be required to continue such action for possession or such foreclosure proceedings if such default or breach shall be cured by Home Owner, and provided further that, if such Lender shall fail or refuse to comply with the conditions of this subsection, The Regents shall be released from the covenant or forbearance set forth in this subsection.

Section 6.02. Remedies of The Regents.

(a) If The Regents terminates this Lot Lease in accordance with the provisions of Section 6.01, The Regents may recover from Home Owner:

(i) Unpaid rent earned at the time of termination, which termination shall be treated as if an assignment of the Lot and a sale of the Residence had occurred;

(ii) All other amounts then owed to The Regents;
and

(iii) Any other amount necessary to compensate The Regents for all detriment proximately caused by Home Owner's default under this Lot Lease.

(b) Efforts by The Regents to mitigate any damages caused by Home Owner's breach of this Lot Lease shall not be treated as a waiver of The Regents' right to recover damages under this Section 6.02. Nothing in this Section 6.02 shall affect the right of The Regents to be held harmless for any liability arising prior to the termination of this Lot Lease for death, personal injury, or property damage as provided in this Lot Lease. No legal action shall be commenced under this Section 6.02 more than four (4) years after notice to The Regents of any breach of the Lot Lease by Home Owner, or more than four (4) years after the termination of Home Owner's right to possession of the Lot, whichever is earlier.

(c) Rent not paid when due shall bear interest at the Lot Lease Interest Rate from the due date until received by The Regents.

Section 6.03. Effects of Waiver by The Regents. No waiver by The Regents at any time of any provision of this Lot Lease shall be deemed a waiver at any subsequent time of the same or any other provision of this Lot Lease, nor of the strict and

prompt performance required by this Lot Lease of Home Owner. No option, right, power, remedy, or privilege of The Regents shall be construed as being exhausted or discharged by its exercise in one or more instances. Each of the rights, powers, options, or remedies given The Regents by this Lot Lease are cumulative and no one of them is exclusive of the other or exclusive of any remedies provided by law, and the exercise of one right, power, option, or remedy by The Regents shall not impair the right to use any other.

Section 6.04. Attorneys' Fees. In the event that either The Regents or Home Owner brings suit against the other to enforce rights under this Lot Lease, each party shall bear the expense of their own attorneys' fees.

Section 6.05. Surrender of Property. Upon the expiration of the term of this Lot Lease (including any extension thereof) or upon an earlier termination of this Lot Lease, Home Owner shall quit and surrender the Lot and the Residence to The Regents without further obligation on the part of either party to this Lot Lease, free and clear of all liens and encumbrances other than easements created by or with the approval of The Regents. At the end of the term of this Lot Lease or upon its earlier termination, the title to and ownership of the Residence shall automatically vest with The Regents without the execution of any further instrument.

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

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

Regents with regard to defaults under Section 6.01 or with regard to remedies under Section 6.02 of this Lot Lease.

Section 6.08. Condemnation.

(a) If, during the term of this Lot Lease, the entire Lot shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Lot shall be taken but Home Owner shall determine that the Residence cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, Home Owner may terminate this Lot Lease as of the date of such taking, and the rights of The Regents and Home Owner in and to the award upon any such taking shall be determined in accordance with Section 6.08(d), below.

(b) If less than the entire Lot shall be taken as a result of the exercise of the right of eminent domain and Home Owner determines that the Residence can be repaired, restored, or replaced to a condition suitable for residential purposes, this Lot Lease shall not terminate but shall continue in full force and effect for the remainder of its term. The rights of The Regents and Home Owner in and to the award upon any such taking shall be determined in accordance with Section 6.08(d), below. Home Owner shall, with due diligence and in compliance with Section 3.01, above, restore, repair, and replace that portion of the Residence not so taken to a condition suitable for residential purposes, having due regard for the design, construction, and character of the improvements existing before such taking.

(c) If all or any portion of the Lot or Residence shall be taken by the exercise of the right of eminent domain for governmental occupancy for a limited period of time, this Lot Lease shall not terminate, and Home Owner shall continue to perform and observe all obligations hereunder as though such taking had not occurred except to the extent that Home Owner may be prevented from so doing by reason of such taking. Home Owner shall in no event be excused from the payment of rent and all other sums and charges required to be paid under this Lot Lease.

(d) If all or a portion of the Lot shall be taken by exercise of the right of eminent domain, the total award in any such proceeding or for any such injury or reduction in value shall be determined as follows:

(i) In the event of any taking that results in the termination of this Lot Lease in accordance with the provisions of this Section 6.08, then The Regents and, subject to the rights of any Lender, Home Owner shall be entitled to

prosecute claims in such condemnation proceedings for the value of their respective interests in the Lot and Residence.

(ii) In the event of any taking of a portion of the Lot or Residence that does not result in the termination of this Lot Lease in accordance with the provisions of this Section 6.08, then The Regents and, subject to the rights of any Lender, Home Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests affected by such taking.

(e) As used in this Section 6.08, the phrase "taken as a result of the exercise of the right of eminent domain" shall mean a taking or damaging by eminent domain, or by inverse condemnation, or by deed or transfer in lieu thereof, for any public or quasi-public use under any statute or law. The taking shall, at the election of Home Owner, be considered to take place as of the earlier of (i) the date actual physical possession is taken by the condemnor; or (ii) the date on which the right to compensation and damages accrues under the applicable law; or (iii) the date on which title vests in the condemnor.

(f) If any Lender acquires an interest under this Lot Lease by foreclosure or deed-in-lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as are applicable to Home Owner in this Section 6.08.

ARTICLE VII - MISCELLANEOUS PROVISIONS

Section 7.01. Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Lot Lease by reason of acts of God, strikes, lockouts, labor troubles, inability to secure materials, or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay, provided that nothing in this Section 7.01 shall excuse Home Owner from the prompt payment of any rental or other charge required of Home Owner. The party delayed or prevented from the performance of any act shall notify the other of such delay or prevention within ten (10) days of its inception, and shall thereafter keep such party regularly informed of the status of such delay or prevention.

Section 7.02. Time of the Essence. The parties agree that time is of the essence of this Lot Lease and, accordingly, that the time limits stated in this Lot Lease shall be strictly observed.

Section 7.03. Binding Effect. The provisions of this Lot Lease shall bind the heirs, executors, administrators, successors, and assigns of the original parties to this Lot Lease, provided that this Section 7.03 shall not be deemed to authorize or permit the assignment of any interest in this Lot Lease other than in strict compliance with its provisions.

Section 7.04. Notices.

(a) All notices required to be given under this Lot Lease shall be in writing and shall be deemed to have been given when hand delivered to the addressee or deposited in the United States mail properly addressed to the addressee with postage prepaid in certified or registered form, return receipt requested.

(b) All notices to The Regents shall be delivered or mailed to The Regents of the University of California, Office of the Treasurer, 615 University Hall, 2200 University Avenue, Berkeley, California 94720, with a copy to the Faculty Housing Manager, University of California, Hagar Court Community Building, Santa Cruz, California 95064; or to such other address as The Regents may from time to time direct.

(d) All notices to Home Owner shall be delivered or mailed to the Residence or to such other address as Home Owner shall designate from time to time to The Regents.

(e) If The Regents has been notified of the interest of a Lender pursuant to Section 5.02(b) of this Lot Lease, then any notice sent to The Regents or Home Owner shall be effective and deemed given only if a copy of such notice is simultaneously hand delivered or sent to such Lender by registered or certified mail, return receipt requested, at an address previously provided by Home Owner or such Lender.

Section 7.05. Memorandum of Lot Lease. Concurrently with the execution of this Lot Lease, the parties shall execute and acknowledge a memorandum of this Lot Lease for the purpose of recording that document in the office of the Santa Cruz County Recorder. Such memorandum shall contain a description of the Lot, the names of The Regents and Home Owner, and the term of this Lot Lease.

Section 7.06. Nonmerger of Fee and Leasehold Estates. If under any circumstances both The Regents' fee interest in the Lot and any subordinate leasehold interest in the Lot become vested in the same owner, the Lot Lease shall not be extinguished by application of the doctrine of merger except at the express election of such owner.

Section 7.07. Captions, Gender and Number.

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

(b) As used in this Lot Lease, the use of one gender shall include the other and the use of the singular shall include the plural, and vice versa, as the context may require. If Home Owner consists of more than one person, the covenants, obligations, and liabilities of Home Owner shall be the joint and several covenants, obligations, and liabilities of such persons.

Section 7.08. Governing Law and Construction. This Lot Lease shall be construed and interpreted in accordance with and governed by the laws of the State of California. The language in all parts of this Lot Lease shall be construed according to its fair meaning and not strictly for or against The Regents or Home Owner.

Section 7.09. Unenforceability or Invalidity of Provision. If and to the extent that any provision of this Lot Lease should be found invalid, void, or unenforceable by a court of competent jurisdiction, or so rendered by legislative or administrative action, the validity of the remainder of this Lot Lease shall not be affected and shall remain in full force and effect as if this Lot Lease had been executed with the portion held to be invalid, void, or unenforceable eliminated. To accomplish the intentions of the parties as expressed in this Lot Lease, the parties shall, if necessary, conclude a modification to this Lot Lease, on terms that are reasonable and which will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void, or unenforceable.

Section 7.10. Entire Agreement; Amendments. This Lot Lease contains all of the agreements between The Regents and Home Owner relating in any manner to the subject matter of this Lot Lease. No prior agreement or understanding with respect to the same shall be valid or of any force or effect, and no provision of this Lot Lease shall be altered or added to, except in writing, signed by The Regents and Home Owner and with the written consent of any Lender. No representation, inducement, or understanding of any nature made, stated, or represented on behalf of either party to this Lot Lease, either orally or in writing, has induced the other party to enter into this Lot Lease, except as set forth herein.

Section 7.11. Assignment and Delegation by The Regents. Notwithstanding any other provision of this Lot Lease, The Regents reserves the right to assign and delegate its rights and duties under this Lot Lease.

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

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

BY _____

HOME OWNER

CARDIFF TERRACE
DESCRIPTION OF LOT

CARDIFF TERRACE

DESCRIPTION OF PROJECT PROPERTY

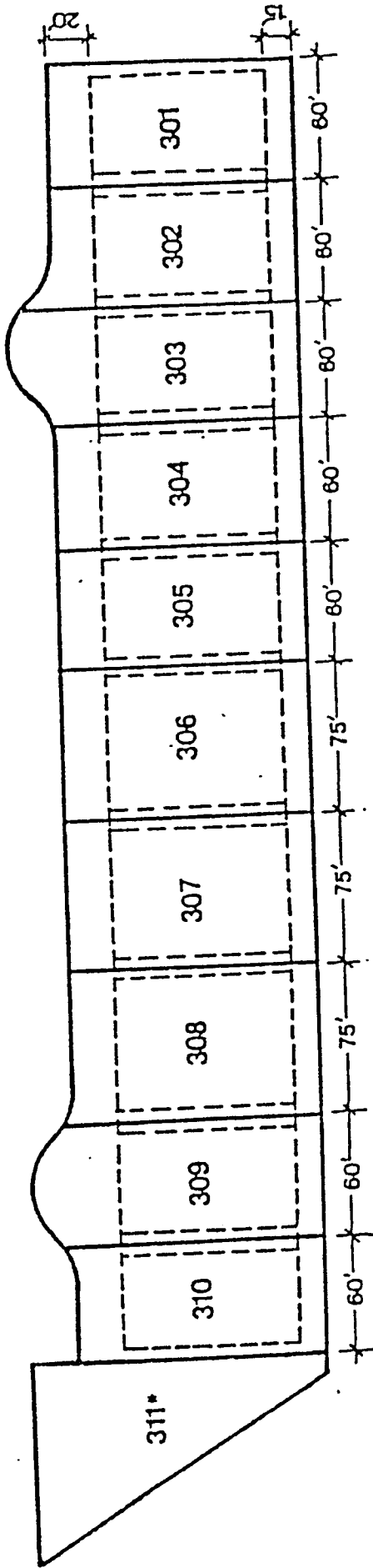
PROJECT DESCRIPTION

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF SANTA CRUZ,
STATE OF CALIFORNIA AND MORE PARTICULARLY DESCRIBED AS FOLLOWS;

BEGINNING AT A CONCRETE MONUMENT ON THE SOUTHERLY LINE OF THE
LANDS CONVEYED TO THE BOARD OF REGENTS OF THE UNIVERSITY OF
CALIFORNIA AS SHOWN ON THE RECORD OF SURVEY OF SAID LANDS FILED IN
VOLUME 38, OF MAPS, AT PAGE 1, SANTA CRUZ COUNTY RECORDS, AT THE
NORTHWESTERLY CORNER OF THE LANDS OF THE SANTA CRUZ CITY SCHOOL
DISTRICT, AS DESCRIBED IN VOLUME 1280, AT PAGE 511, OFFICIAL
RECORDS OF SANTA CRUZ COUNTY; THENCE

NORTH 14°17'50" WEST 5.27 FEET TO AN IRON PIPE; THENCE
NORTH 46°18'43" WEST 267.51 FEET; THENCE
NORTH 70°01'24" WEST 68.87 FEET; THENCE
SOUTH 54°48'44" WEST 19.98 FEET; THENCE
NORTH 28°34'56" WEST 86.12 FEET; THENCE
NORTH 23°23'11" EAST 86.70 FEET; THENCE
NORTH 18°17'20" EAST 33.25 FEET; THENCE
NORTH 55°01'08" EAST 20.50 FEET; THENCE
NORTH 36°25'47" EAST 45.54 FEET; THENCE
NORTH 47°00'00" WEST 36.36 FEET; THENCE
NORTH 51°38'33" WEST 160.21 FEET; THENCE
NORTH 59°08'00" EAST 524.82 FEET; THENCE
SOUTH 35°35'17" EAST 37.24 FEET; THENCE
SOUTH 15°35'17" EAST 34.66 FEET; THENCE
SOUTH 35°25'50" EAST 322.52 FEET; THENCE
EAST 189.13 FEET; THENCE
SOUTH 43.26 FEET; THENCE
SOUTH 37°08'36" EAST 15.54 FEET; THENCE
SOUTH 34.46 FEET; THENCE
SOUTH 70°50'23" EAST 81.41 FEET; THENCE
SOUTH 10°50'34" WEST 45.17 FEET; THENCE
SOUTH 38°45'19" EAST 108.73 FEET; THENCE
SOUTH 14°17'50" EAST 96.35 FEET TO THE SAID SOUTHERLY LINE;
THENCE ALONG SAID SOUTHERLY LINE SOUTH 75°42'10" WEST 667.64 FEET
TO THE POINT OF BEGINNING.

ASSESSOR'S PARCEL NO. 1-011-09 (PORTION)



SIDE YARDS 5'

* envelope will be determined
in preliminary design review

EXHIBIT B: BUILDING ENVELOPES

This site map will be replaced by a legal description of the site as soon as it is available.

HAGAR MEADOW SITE MAP

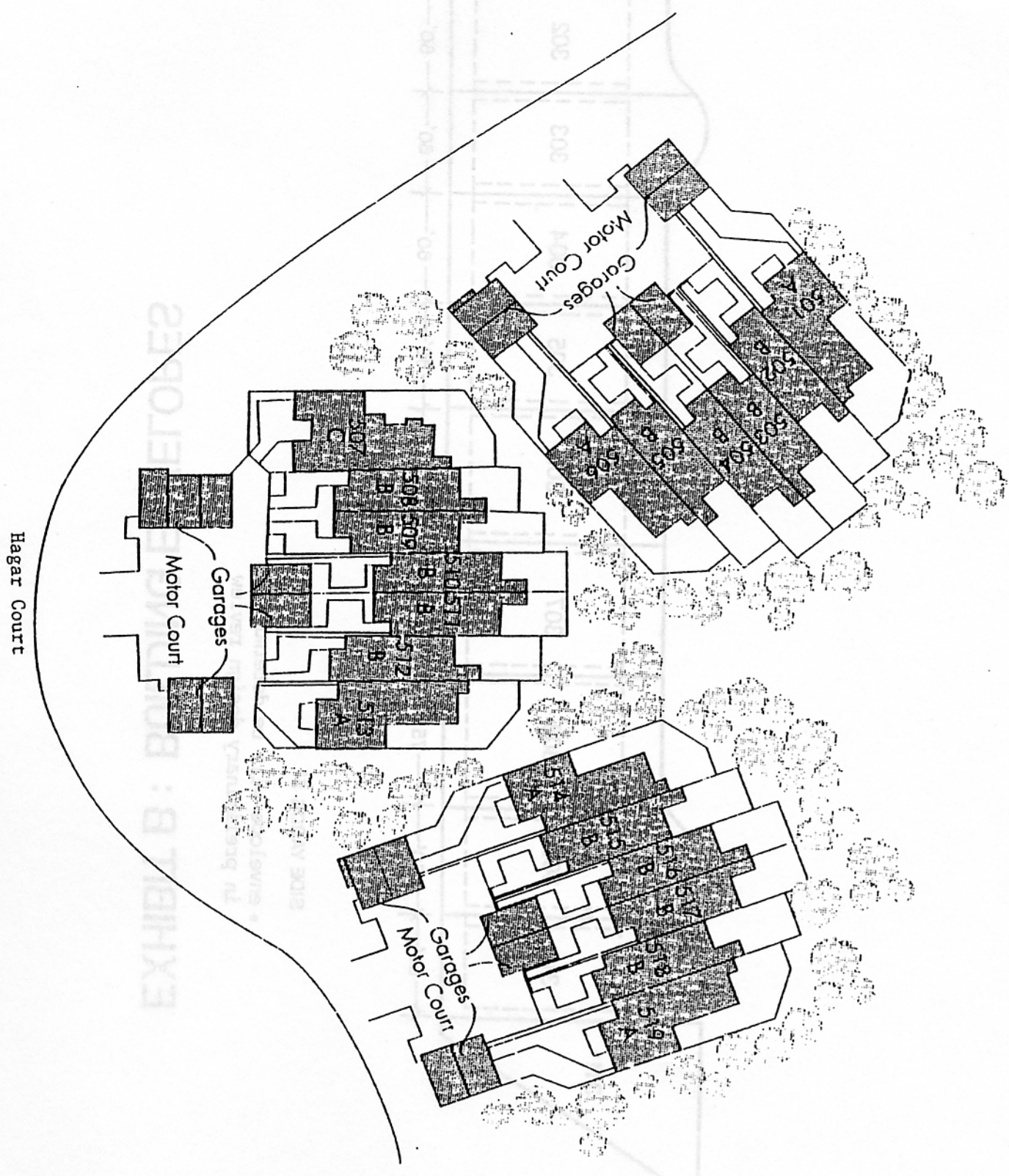


EXHIBIT THIRD TO
Townhome Lot Lease

First Amendment to Cardiff Terrace
Townhome Lot Lease

FIRST AMENDMENT TO CARDIFF TERRACE
TOWNHOME LOT LEASE

By this First Amendment to the Cardiff Terrace Townhome Lot Lease, made as of the _____ day of _____, 1986, by and between

("Home Owner") and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA ("The Regents"), and made with reference to that certain Cardiff Terrace Townhome Lot Lease dated as of _____, 1986, by and between the same parties ("Lease"), the parties mutually agree and provide as follows:

A. Amendments to Section 3 of the Lease.

1. Paragraph 3.05 of the Lease is hereby amended and modified, so that said paragraph shall hereafter provide as follows:

"Section 3.05. University's Option to Terminate Lease and to Purchase Residence. Except as provided for herein in Section 5.02 of this Lot Lease with respect to the rights of Lenders, if an ownership interest of greater than fifty percent (50%) in the Residence shall pass, whether by conveyance, will, operation of law, or otherwise, to any person who is not a "Qualified Person" or a "Conditionally Qualified Person" as those terms are defined in Article XI of the CC&R's, or if Home Owner shall, at any time, cease to be a Qualified Person or Conditionally Qualified Person, the University may, at any time thereafter, terminate this Lot Lease forty-five (45) days after notice to Home Owner of its intention to do so. Any event described in the preceding sentence shall also constitute an irrevocable offer to the University to sell the Residence to the University or its designee, at the price and on the terms set forth in Article XII, sections 2 and 3 of the CC&R's. Notwithstanding the foregoing, however, this Section 3.05 shall not apply to a purchaser or transferee (or the heirs, legatees or assigns of such a purchaser or transferee) who acquires rights under this Lease and ownership of the Residence from a Lender under a deed of trust described in Section 5.02 of this Lease, if such Lender has made the offers required under Section 5.02 (f) (i) and (ii)."

2. The remaining portions of section 3 of the Lease are in all respects reconfirmed.

B. Amendment to Section 5 of the Lease.

1. Paragraph 5.02(h) of the Lease is hereby amended and modified, so that said paragraph shall hereafter provide as follows:

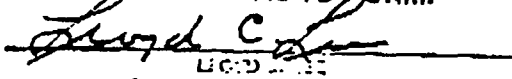
"5.02(h) Regardless of any other provision of this Lot Lease, the maximum resale price of the Residence if acquired by a Lender as described in Section 5.02(f), above, shall be the greater of (i) the Maximum Resale Price for the Residence as established pursuant to Section 3.07 of this Lot Lease or (ii) an amount equal to the full amount then owing on the mortgage loan that was foreclosed or with respect to which a deed-in-lieu of foreclosure was accepted, included interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the mortgage except for the transfer up to the date of sale, real property taxes that have been paid by the Lender or have accrued on the Lot and Residence, the reasonable fees of attorneys for the Lender, and statutory costs and allowances permitted in connection with the foreclosure or other proceeding. In addition, the purchase price may include the reasonable expenses of repair or rehabilitation of the Residence, if necessary, the reasonable indirect cost of administration of the Lender with respect to foreclosure and resale of the Residence, and holding costs reasonably incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure."

2. The remaining portions of Section 5 of the Lease are in all respects reconfirmed.

C. Miscellaneous. The Lease is in all other respects reconfirmed.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to the Cardiff Terrace Townhome Lot Lease as of the day and year first above written.

APPROVED AS TO FORM:



LEO D. COLE
COUNSEL OF THE REGENTS
OF THE UNIVERSITY OF CALIFORNIA

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

By _____

HOME OWNER
