

When recorded return to:

HSL Scottsdale, LLC
7114 E. Stetson Drive, Suite 350
Scottsdale, AZ 85251

**BRIARWOOD VI PHASE ____
RESIDENTIAL GROUND LEASE**

The parties to this Residential Ground Lease ("Lease") are HSL Scottsdale, LLC, an Arizona limited liability company, as lessor, whose notice address is 7114 E. Stetson Drive, Suite 350, Scottsdale, Arizona 85251 ("Lessor"), and the following party, as lessee ("Lessee"):

The commencement date of this Lease is the date it is recorded in the office of the County Recorder, Maricopa County, Arizona (the "Commencement Date").

After the Commencement Date, the Lessee's address to receive notices is:

Lessee agrees to furnish Lessor with notice of any change in Lessee's address for notices within ten (10) days after the effective date of such change.

NOTICE TO POTENTIAL TRANSFEREES, LENDERS, ESCROW AGENTS AND TITLE EXAMINERS: THE LEASED PREMISES ARE THE SUBJECT OF A RESIDENTIAL GROUND LEASE, AND NO INTEREST IN THE LEASED PREMISES, INCLUDING ANY IMPROVEMENTS THEREON, MAY BE TRANSFERRED OR ENCUMBERED EXCEPT IN STRICT COMPLIANCE WITH THE PROVISIONS OF ARTICLE VII BELOW.

ARTICLE I

Leased Premises

1.1 Leased Premises.

Lessor hereby leases to Lessee, subject to the terms and conditions hereof, the following property (called the "Leased Premises"):

Lot ____ of BRIARWOOD VI _____ according to the plat recorded in Book ____ of Maps, Page __, Official Records of the County Recorder of Maricopa County, Arizona, subject to all matters of record, including the Declaration of Covenants, Conditions and Restrictions recorded on June 22, 1983 at File #83-242650, Official Records of the County Recorder of Maricopa County, Arizona, together with any and all annexations and amendments thereto now

or hereafter made (collectively called the "Declaration"), and further subject to: (i) discrepancies or conflicts in boundary lines, easements, encroachments or area content which a satisfactory survey would disclose; (ii) building restrictions and regulations, and the amendments and additions thereto now or at any time hereafter enforced in the City of Scottsdale; (iii) present and future zoning laws, ordinances, resolutions and regulations of the City of Scottsdale and all present and future ordinances, laws, regulations and order of all Boards, Bureaus, Commissions and Bodies of any governmental authority now or hereafter having or acquiring jurisdiction of the Leased Premises, improvements thereon, and the use thereof; (iv) the condition and state of the Leased Premises as the same may be on the Commencement Date of this Lease.

1.2 Condition of Improvements.

Lessee acknowledges that the improvements on the Leased Premises were not constructed by Lessor and that Lessor has had no connection with or responsibilities for the development of such improvements. Lessee acknowledges that Lessee has thoroughly investigated the Leased Premises and the improvements, accepts the improvements in "AS-IS" condition without any warranties of any kind, and hereby releases Lessor from all responsibility regarding the evaluation or condition thereof.

ARTICLE II

Term

2.1 Term.

The term of this Lease shall commence on the Commencement Date and expire on December 31, 2076, unless sooner terminated as provided herein.

ARTICLE III

Rent

3.1 Ground Rent.

Lessee shall pay to Lessor, in advance, on or before the first day of each calendar month during the term of the Lease, as ground rent for the use and occupancy of the Leased Premises, the sum of _____ Dollars (\$_____) (hereinafter called the "ground rent"). All ground rent and any other rentals or other charges or sums payable by Lessee hereunder shall be paid without prior notice or demand and without setoff, abatement or deduction, together with all applicable excise taxes, as provided in Section 4.2 below.

3.2 Adjustment in Ground Rent.

Upon any Assignment (as defined in Section 7.1 below) or mortgage (as defined in Section 7.2 below) of Lessee's interest in the Lease, the Leased Premises and the improvements thereon, the monthly ground rent shall be adjusted to an amount equal to 0.1% of the fair market value of Lessee's interest in the Leased Premises and the improvements thereon as of the date of such Assignment or mortgage, but in no event shall the monthly ground rent be less than the monthly ground rent specified in Section 3.1. Such fair market value shall be determined as follows:

(a) in connection with any Assignment that *does* involve either a new mortgage or an increase, modification, extension or replacement of any existing mortgage, fair market value

shall be the greater of (i) the total price and other consideration for that Assignment, or (ii) the total fair market value of the leasehold interest in the Leased Premises and the improvements thereon, as certified by a reputable licensed appraiser in the State of Arizona or otherwise established by the mortgagee to the reasonable satisfaction of Lessor in connection with any such mortgage;

(b) in connection with any Assignment that *does not* involve either a new mortgage or an increase, modification, extension or replacement of any existing mortgage, fair market value shall be the total price and other consideration for that Assignment, provided, however, that Lessor reserves the right to refuse to approve or recognize any Assignment for other than fair market value consideration or to condition Lessor's approval thereof upon Lessee's delivery to Lessor of, an appraisal of the fair market value of the leasehold interest in the Leased Premises and the improvements thereon, as certified by a reputable licensed appraiser in the State of Arizona, which may be used by Lessor to make a corresponding increase in the monthly ground rent to an amount equal to 0.1% of such appraised fair market value.

Notwithstanding the foregoing first paragraph of this Section 3.2(b), the monthly ground rent shall not be adjusted in connection with any of the following transfers that *do not* involve either a new mortgage or an increase, modification, extension or replacement of any existing mortgage, if made only for nominal consideration: (1) an Assignment between spouses, in connection with a marital dissolution or to recharacterize their interest as community property, tenancy in common, or joint tenancy, as applicable; (2) an Assignment from Lessee to a trust, family partnership or family limited liability company for estate planning purposes, provided that the Lessee must control the trust, family partnership or family limited liability company, or if the Lessee is not a natural person, then the natural person (or two natural persons in the case of spouses) who controls the Lessee (the "Controlling Person") must also control the trust, family partnership or family limited liability company; or (3) any Assignment to a conservator duly appointed to manage Lessee's affairs. Upon the death of the Controlling Person (or the second-to-die of two Controlling Persons in the case of spouses), the ground rent shall be adjusted to an amount equal to 0.1% of the fair market value of the Leased Premises and improvements thereon as of the date of such death, but in no event shall the monthly ground rent be less than the monthly ground rent specified in Section 3.1. For purposes of the foregoing, the fair market value of the Leased Premises and improvements thereon shall be as certified by a reputable licensed appraiser in the State of Arizona or otherwise established to the reasonable satisfaction of Lessor.

(c) in connection with any other mortgage transaction (including but not limited to any refinancing and any junior mortgage that may be permitted under this Lease), fair market value shall be the fair market value as certified by a reputable licensed appraiser in the State of Arizona or otherwise established by the mortgagee to the reasonable satisfaction of Lessor in connection with any such mortgage.

In no event, however, shall the monthly ground rent be less than the monthly ground rent specified in Section 3.1. The adjustment in the monthly ground rent shall be effective the first day following the effective date of such Assignment or mortgage.

3.3 Net Lease.

It is the purpose and intent of Lessor and Lessee that the monthly ground rent shall be absolutely net to Lessor, so that this Lease shall yield, net to Lessor, the monthly ground rent specified hereinabove in each month and each year during the term of this Lease, and that all costs, impositions, assessments, premiums, fees, reimbursements, charges, expenses, and obligations of every kind and nature whatsoever relating to the Leased Premises and the improvements thereon that accrue during the term of the Lease ("Lessee's Costs") shall be paid or discharged directly by Lessee as they become due, and Lessee shall defend (using counsel reasonably acceptable to Lessor), indemnify and hold Lessor harmless for, from and against all Lessee's Costs. Lessee's indemnification obligations hereunder will survive any transfer or termination of Lessee's interest in the Lease or the Leased Premises.

ARTICLE IV

Taxes and Assessments

4.1 Property Taxes and Assessments.

(a) Prior to the date that any fine, penalty, interest or costs may be added thereto for the nonpayment thereof, Lessee shall pay, exhibiting proper receipts to Lessor on demand, all real estate taxes, assessments, water rates and charges, other governmental levies and charges, and all other charges, premiums and other expenses, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind which are assessed or imposed upon the Leased Premises and the improvements thereon or any part thereof, including all assessments and other charges imposed by the homeowners' association under the Declaration.

(b) Taxes, assessments and charges for the calendar year during which the term of this Lease shall begin and for the calendar year during which the term of this Lease shall expire, shall be prorated between Lessor and Lessee. As to any tax, assessment or charge provided by law or the Declaration to be paid in installments, Lessee may elect that it be paid in installments, and in such event, Lessee shall be responsible for the timely payment of only those installments (or prorated portion thereof) which become due and payable during the term of this Lease.

(c) Lessee shall have the right in good faith and at Lessee's sole cost and expense to protest or contest, or to seek to have reviewed, reduced, equalized or abated, any tax or assessment by legal proceedings. However, in connection with any such protest, contest or other actions, Lessee shall pay the applicable tax or assessment at such time and in such manner as to prevent the Leased Premises or the improvements thereon from being sold or levied upon for delinquent taxes or assessments.

4.2 Excise Taxes.

Lessee shall pay to Lessor at the same time as any rental payment is made to or for Lessor an amount equal to the amount of all gross proceeds taxes, privilege taxes, sales taxes or like taxes now or hereafter levied or assessed by the United States of America, the State of Arizona, the County of Maricopa, the City of Scottsdale or any other governmental body, upon such rental or the payment or receipt thereof, or which Lessor will be required to pay as a result of engaging in leasing activity relating to the Leased Premises, and any transfer taxes associated with any Assignment or mortgage by Lessee, except that Lessee shall not be obligated to pay to

Lessor any amount on account of any Federal, State or Local government income, estate, inheritance, succession or transfer tax imposed on the Lessor, unless such tax is in lieu of or in substitution for any tax otherwise payable by Lessee.

ARTICLE V

Utilities

5.1 Lessee's Utilities.

Lessee shall be responsible for and pay when due any and all utility charges pertaining to the Leased Premises and the improvements thereon.

ARTICLE VI

Rights of Occupancy

6.1 Lawful Use.

(a) The Leased Premises and the improvements thereon shall be used solely as a private, single-family residence, and uses incidental thereto. No improper or unlawful use shall be made of any part of the Leased Premises or the improvements thereon, nor shall any nuisance be allowed thereon. All improvements on the Leased Premises shall conform to all applicable building codes, zoning or other governmental regulations and restrictions, and shall be in full compliance with all governmental laws, rules and regulations then relating thereto. Lessee shall promptly comply with all present and future laws, ordinances, orders, rules, regulations (including health regulations) and requirements of all federal, state and municipal governments, courts, departments, commissions or any other body or board exercising functions similar to those of the foregoing, and whether foreseen or unforeseen, ordinary or extraordinary, which may be applicable to the Leased Premises and the improvements thereon, or any part thereof, or to the use or manner of use of the same or any part thereof.

(b) Lessee shall not create or permit to be created or to remain, and shall discharge, any lien, encumbrance or charge levied on account of any professional services, labor, materials, equipment, or other work performed at or delivered to the Leased Premises including any mechanics', laborers' or materialmen's lien upon any interest in the Leased Premises or the improvements thereon, and Lessee shall not suffer any other matter or thing whereby the estate, rights and interest of Lessor in the Leased Premises or the improvements thereon, might be impaired to any extent. If any mechanics', laborers' or materialmen's lien shall at any time be filed against any interest in the Leased Premises or the improvements thereon, Lessee, within thirty (30) days after notice of the filing thereof, shall cause the same to be discharged of record by payment, deposit, bond, or order of a court of competent jurisdiction or otherwise. If Lessee shall fail to cause such lien to be discharged within the period aforesaid, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by filing a statutory lien discharge bond; and Lessee shall reimburse and pay to Lessor on demand any amount so paid by Lessor and any costs and expenses, including reasonable attorneys' fees, incurred by Lessor in connection therewith, together with interest on all such sums at the rate of two (2) points above the prime rate of interest as published by the Wall Street Journal from time to time, or similar index rate if prime is no longer published in the same format (but not in excess of the maximum legal rate), on the 30th day of each month such reimbursement is due, said interest to be charged from the respective date of Lessor's notice to Lessee of the making of the

payment or the incurring of the cost or expense. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Lessor, express or implied, by inference or otherwise, to any contractors, subcontractors, laborers or materialmen for the performance of any labor or the furnishing of any materials for any specific improvements, alteration to, or repair of the Leased Premises or any part thereof.

6.2 Repairs.

Lessee shall keep the Leased Premises and all improvements thereon in a clean and sanitary condition, and shall not permit any rubbish, refuse or garbage to accumulate thereon, nor any fire or health hazards to exist thereon. Lessee shall take good care of the Leased Premises and all improvements thereon and keep the same in good order and condition, and make all necessary repairs thereto, interior and exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen. The term "repairs" shall include all necessary replacements, renewals and alterations. Lessor shall not be required to furnish any services or facilities, or to make any repairs, alterations or replacements in or to the Leased Premises or the improvements thereon. Lessee hereby assumes the full and sole responsibility for the conditions, operations, repair, replacement, maintenance and management of the Leased Premises and all improvements thereon.

ARTICLE VII

Transfer, Assignment, Sale and Mortgage

7.1 Sale, Transfer and Assignment.

No part of Lessee's interest in the Lease, the Leased Premises or the improvements thereon may be sold, assigned, or otherwise transferred (hereinafter referred to collectively as an "Assignment" to an "Assignee"), except upon the following terms and conditions, and upon compliance with such terms and conditions:

(a) At the time of such Assignment, Lessee must not be in default of any of its obligations to be performed under this Lease.

(b) The Assignment must be effected using documents in the form prescribed by Lessor, whereunder the Assignee shall unconditionally assume and agree to be bound by all of the terms and conditions of this Lease. At Lessor's option, Lessor may require that the Assignment be documented by Lessee's execution of a termination of this Lease and Assignee's execution of a new Lease that supersedes and replaces this Lease, incorporating any adjusted ground rent, any increases in liability insurance coverage and any changes in the standard terms and conditions as may reasonably be imposed by Lessor to maintain Lessor's original intent in view of changes in prevailing law and practice. In connection with any Assignment to a corporation, partnership, limited liability company, trust or other entity, except in connection with an Assignment to a first mortgagee or its affiliate in connection with any default by Lessee, Lessor may also require that a personal guaranty of such Lessee's obligations under this Lease be executed by one or more principals who are natural persons as a condition of such Assignment.

(c) Lessor must be notified of the terms of the Assignment at least fifteen (15) days prior to the proposed effective date of the Assignment. Such notification must include a certification of the total "price" and any other consideration for the Assignment, executed by Lessee and the proposed Assignee. Lessee must promptly provide any other information

concerning the Assignment that may reasonably be requested by Lessor, including information about any relationship between Lessee and the proposed Assignee, and Lessee must advise Lessor of any changes in the information previously provided before the effective date of such Assignment. Lessee and Assignee must execute the documents without any changes in the form prescribed by Lessor, which Lessee must record at Lessee's expense on or before the effective date of such Assignment.

(d) All outstanding obligations of the then holder of the Lessee's interest upon this Lease, including any amounts then due for accrued but unpaid taxes, assessments or other sums payable by Lessee to Lessor or to any third party in connection with Lessee's use of the Leased Premises, must be paid in full.

(e) No transfer of the Leased Premises or Lessee's interest in this Lease may be made separate and apart from the improvements thereon, and no transfer of the improvements thereon may be made separate and apart from a permitted transfer of the Leased Premises and Lessee's interest in this Lease by an Assignment or new Lease, as determined by Lessor, in accordance with the terms and conditions of this Section 7.1. Any deed or other instrument purporting to transfer the improvements without such a permitted transfer of the Leased Premises and Lessee's interest in this Lease in accordance with the terms and conditions of this Section 7.1 shall be null and void and shall convey no title or other interest to the purported transferee.

Upon the effective date of such Assignment, Lessee shall be released from liability for obligations under the Lease accruing thereafter; provided, however, that Lessee shall not be released if: (i) Assignee is a corporation, partnership, limited liability company, trust or other entity and Lessee or a benefitted party of Lessee is a shareholder, officer, director, partner, member, trustor, trustee, beneficiary, or other interest holder ("Participant") in such Assignee; or (ii) Assignee is a marital community or co-tenancy of individuals and/or entities and Lessee is a member of such marital community or one of the co-tenants or a Participant of one of the co-tenants in such co-tenancy.

For purposes of this Lease, if Lessee is a corporation, partnership, limited liability company, trust or other entity, any assignment, conveyance, pledge or transfer of any of the direct or indirect ownership, control or beneficial interest in such entity shall be an Assignment that (i) is subject to an Adjustment in Ground Rent per Section 3.2 and (ii) requires Lessor's consent.

7.2 Mortgage.

Lessee may not mortgage (as defined in Section 7.2(e) below), hypothecate or otherwise encumber any part of Lessee's interest in the Lease, the Leased Premises or the improvements thereon, without obtaining the prior written approval of Lessor in each instance, as provided in Section 7.2(a) with respect to first mortgages (as defined herein) and as provided in Section 7.2(b) with respect to any other mortgages, hypothecations and encumbrances. Only those mortgages which have been approved by Lessor as provided for herein are deemed to be "permitted mortgages", as such term is used in this Lease.

(a) Lessor shall not unreasonably withhold its approval and if requested shall agree to subordinate its interest in this Lease to the lien of the primary permitted mortgage (defined herein as the "first mortgage"), pursuant to a separate subordination agreement (as described below) in form and content prescribed by Lessor, if and only if all of the following conditions have been fulfilled to Lessor's reasonable satisfaction with respect to such first mortgage:

- (i) At the time such first mortgage is placed, there must be no uncured event of default by Lessee under this Lease or any events which, with the passage of time or giving of notice, would give rise to an event of default under this Lease.
- (ii) The total indebtedness to be secured by such first mortgage must not exceed eighty percent (80%) of the fair market value of Lessee's interest in the Leased Premises and the improvements thereon (as defined in Section 3.2 above).
- (iii) The total indebtedness to be secured by such first mortgage must be fully amortized and repayable in equal periodic installments of principal and interest, due at least quarter annually, over a term of not more than thirty (30) years with a maturity date no later than December 31, 2076. The first mortgage may not be a so-called balloon mortgage, negative amortization mortgage or a reverse mortgage. The first mortgage loan documents must contain provisions expressly prohibiting Lessee from permitting any further liens or encumbrances upon Lessee's interest in the Leased Premises or the improvements thereon, without obtaining Lessor's prior written approval. The first mortgage loan documents may not contain any provisions granting any cross-default, cross-collateralization or similar rights or remedies to the first mortgagee.
- (iv) The first mortgagee must be and must remain throughout the term of the first mortgage a bona fide institutional lender (such as a commercial bank, savings and loan association, life insurance company, or pension fund), which is neither directly nor indirectly controlled by or otherwise related to Lessee or any affiliate of Lessee, licensed to transact lending business in the State of Arizona, and any failure to maintain its status as an unrelated bona fide institutional lender or any subsequent transfer to any other party who is not an unrelated bona fide institutional lender shall render the subordination null and void.
- (v) Lessor must be notified of the identity of the proposed first mortgagee and receive copies of the first mortgage loan documents (including the proposed first mortgage) at least ten (10) days prior to the date that the first mortgage is to be recorded. Such notification must include a certification by the proposed first mortgagee of the fair market value of the Lessee's interest in the Leased Premises and the improvements thereon as certified by a licensed appraiser in the State of Arizona or otherwise established to the reasonable satisfaction of Lessor, which Lessor may use to determine any increase in the monthly ground rent as provided in Section 3.2 above. Lessee must also promptly provide any other information concerning the first mortgage that may reasonably be requested by Lessor, including, without limitation, any appraisals, and Lessee must give Lessor notice of any changes in the information previously provided, before the first mortgage is

recorded and as a condition of closing the loan transaction between Lessee and first mortgagee. Lessee must also sign any lease amendments in the form provided by Lessor evidencing any increase in the monthly ground rent, which shall be duly recorded at Lessee's expense simultaneously with the recording of such first mortgage.

(vi) Lessee and first mortgagee must execute Lessor's form of subordination agreement, which Lessee must record it at Lessee's expense simultaneously with the recording of such first mortgage and as a condition of closing the loan transaction between Lessee and first mortgagee. In that regard, it is expressly understood and agreed that, in addition to the foregoing conditions precedent, Lessor's obligation to subordinate shall be expressly conditioned on the following conditions subsequent: (A) at least 120 days before any trustee's sale, foreclosure hearing or forfeiture, first mortgagee must give Lessor written notice, including a copy of the statement of breach or non-performance, notice of trustee's sale, and complaint for foreclosure or other legal action, as applicable; (B) first mortgagee must postpone any foreclosure sale or hearing and any forfeiture scheduled in violation of this Section 7.2(a)(vi)(A) so that they occur no earlier than 120 days from the date that otherwise sufficient notice was actually given (and rescind any foreclosure sale or hearing and any forfeiture that may have already occurred in violation of this notice requirement); and (C) first mortgagee must grant Lessor the right to cure, if Lessor so elects, any default by Lessee under the first mortgage and, if this Lease is terminated by Lessor as the result of any default by Lessee, upon such cure by Lessor, mortgagee must allow Lessor to assume the first mortgage.

(vii) In addition, as a material inducement to Lessor's execution of the subordination agreement and as a condition of first mortgagee's rights and Lessor's obligations thereunder, first mortgagee must represent, warrant and agree as follows in the subordination agreement: (A) mortgagee will not subordinate the first mortgage to any liens, encumbrances or other interests in the Leased Premises or the improvements thereon; (B) within ten (10) days from the date of any such event, first mortgagee will give written notice to Lessor of any: (1) assignment or other transfer of first mortgagee's interest in the first mortgage; (2) any change in first mortgagee's name or address; (3) any deed of release and reconveyance or deed in lieu of foreclosure or other termination of the first mortgage; (C) no due on sale or transfer clause, prepayment penalty or yield maintenance provision of the first mortgage shall be enforceable against Lessor upon any payment of the first mortgage by Lessor; (D) all insurance proceeds and condemnation awards shall be distributed in accordance with the terms of the Lease; (E) if there is any inconsistency between the provisions of the subordination agreement and the provisions of the first mortgage, the provisions of the subordination agreement shall control; (F) that the first mortgage complies with the conditions of Section 7.2(a)(ii) and (iii)

of the Lease; (G) that first mortgagee satisfies the requirements of Section 7.2(a)(iv) of the Lease; and (H) that the loan is an arm's-length transaction between unrelated parties that is given after first mortgagee has satisfied itself of Lessee's ability to repay based on prudent lending practices, and that first mortgagee, its affiliates and their respective principals have no other relationship with Lessee or anyone else claiming or seeking any interest in the Leased Premises or the improvements thereon.

Each of the foregoing conditions (including a separate subordination agreement) must be independently satisfied with respect to any refinancing or replacement loan secured by a proposed first mortgage, and the lender shall not be entitled to succeed to the priority of any previous holder of a first mortgage who has obtained a subordination agreement from Lessor, under the doctrine of equitable subrogation or otherwise.

(b) Except for Lessor's approval of first mortgages, which is governed by Section 7.2(a) above, Lessor reserves the right to give or withhold approval of any other mortgage, hypothecation or encumbrance of any part of Lessee's interest in the Lease, the Leased Premises or the improvements thereon in Lessor's sole and absolute discretion. Under no circumstances will Lessor consider granting such approval with respect to any such mortgage (including any proposed junior mortgage or so-called equity credit line), unless the following conditions have been satisfied to Lessor's satisfaction:

- (i) At the time such mortgage is placed, there must be no uncured event of default by Lessee under this Lease or any events which, with the passage of time or giving of notice, would give rise to an event of default under this Lease.
- (ii) Mortgagee must be and must remain throughout the term of the mortgage a bona fide institutional lender (such as a commercial bank, savings and loan association, life insurance company, or pension fund), which is neither directly nor indirectly controlled by or otherwise related to Lessee or any affiliate of Lessee, licensed to transact lending business in the State of Arizona.
- (iii) The proposed mortgage must not be an open-ended line of credit, but must reflect a date when funding will cease, with a final payoff date no later than December 31, 2076.
- (iv) Lessor must be notified of the identity of the proposed mortgagee and receive copies of the mortgage loan documents (including the proposed mortgage) at least ten (10) days prior to the date that the mortgage is to be recorded. Such notification must include a certification by the proposed mortgagee of the fair market value of the Lessee's interest in the Leased Premises and the improvements thereon as certified by a licensed appraiser in the State of Arizona or otherwise established to the reasonable satisfaction of Lessor, which Lessor may use to determine any increase in the monthly ground rent as provided in Section 3.2 above. Lessee must also promptly provide any other information concerning the mortgage that may reasonably be requested by Lessor, including, without

limitation, any appraisals, and Lessee must give Lessor notice of any changes in the information previously provided, before the mortgage is recorded and as a condition of closing the loan transaction between Lessee and mortgagee.

(v) There shall be no subordination of Lessor's interest in this Lease to the lien of any such mortgage.

(c) Lessee shall make all payments and perform all obligations required under any permitted mortgage when due and shall not commit or permit any conditions of default to occur or exist with respect to such mortgage. Any failure to pay or perform and any default under such mortgage by Lessee, may be treated as an event of default under this Lease, at Lessor's sole option. In addition, at Lessor's option, Lessor may (but shall not be obligated to) make any such payment or perform any such obligation or cure any such default on behalf of Lessee or acquire or redeem the property at any judicial or non-judicial foreclosure sale; and Lessee shall repay Lessor, upon demand, all amounts expended by Lessor in exercising such option, with interest thereon at the rate of two (2) points above the prime rate of interest as published in the Wall Street Journal from time to time, or similar index rate if prime is no longer published in the same format (but not in excess of the maximum legal rate), on the 30th day of each month such sums are owed to Lessor by Lessee, such interest to be charged from the date of expenditure until paid.

(d) Should Lessee's interest in the Lease, the Leased Premises or the improvements thereon be mortgaged, hypothecated or encumbered in violation of Sections 7.2(a) and/or (b), in addition to and not in lieu of any other rights or remedies available at law or in equity, Lessor may (1) treat such violation as an event of default by Lessee, as provided in Section 9.3 of this Lease and pursue all remedies set forth in Article IX, or (2) treat such unpermitted mortgage, hypothecation or encumbrance as null and void, whereupon Lessor may file a quiet title action or seek a judicial declaration to that effect, at the expense of Lessee, or (3) waive such default (but only by a written instrument signed by Lessor) and allow such unpermitted mortgage to be treated as a permitted mortgage subject to the further provisions of this Section 7.2(d). Should Lessor, at Lessor's sole option, choose to waive such default, the monthly ground rent shall be increased retroactively from the date such mortgage was recorded, in the manner set forth in Section 3.2 hereof and the entire difference between the increased monthly ground rent and the amount actually received on account of monthly ground rent since the retroactive date of the increase shall be paid within fifteen (15) days after Lessee receives notice of the exercise of Lessor's option to waive such default, together with interest thereon at two (2) points above the prime rate of interest as published in the Wall Street Journal, or similar index rate if prime is no longer used (but not in excess of the maximum legal rate). Nothing herein shall be construed as obligating Lessor to waive such default, and no such waiver may be inferred or implied.

(e) The term "mortgage", whenever used herein, shall include whatever security instruments are used in the locale of the property, such as, without limitation, realty mortgages, deeds of trust, security deeds, and conditional deeds, as well as financing statements, security agreements and other documents required pursuant to the Uniform Commercial Code and any subsequent renewal, modification, replacement or extension thereof; and the term shall also include any subsequent renewal, increase, modification, replacement or extension thereof. The term "mortgagee" shall include the beneficiary under a deed of trust and the words "foreclose", "foreclosure" and "foreclosure sale" shall include the enforcement of the rights of the beneficiary under a deed of trust and the exercise of the power of sale thereunder. The term "forfeiture" shall include the tender and acceptance of a deed in lieu of foreclosure. Mortgages

approved by Lessor as provided in Sections 7.2(a) and (b) are referred to as "permitted mortgages" and the mortgagees named in such instruments (and their successors and assignees, provided that Lessor has received personal notice thereof) are collectively referred to as "permitted mortgagees" and individually as a "permitted mortgagee" provided that such mortgagee at all times complies with the provisions of Section 7.2.

7.3 Right to Cure.

Lessor agrees with respect to any breach or default by Lessee under this Lease, or when giving any other notices to Lessee hereunder, that Lessor shall also deliver a copy of each such notice, under the same notice provisions as contained in Section 12.9, upon any first mortgagee at the address provided in writing by first mortgagee to Lessor. Any such first mortgagee shall have the same period as Lessee after the service of such notice upon it to cure or remedy the breach or default or to cause the same to be cured and remedied; and Lessor agrees to accept such performance on the part of any such first mortgagee. Lessor shall have no obligation to provide any such notice or cure opportunities to permitted mortgagees who are not also first mortgagees, and any notice that may be given to such other permitted mortgagees shall be deemed a courtesy notice given for informational purposes only.

Lessee and Lessor agree that during any period in which Lessee's interest in the Lease, the Leased Premises or the improvements thereon is mortgaged to a permitted mortgagee, this Lease may not be surrendered, modified, amended or terminated by voluntary agreement without the prior written consent and approval of Lessor and each permitted mortgagee.

7.4 Notice of Lien or Suit.

(a) Notice of Lien. Lessee shall give notice to Lessor of every lien upon Lessee's interest in the Lease, the Leased Premises or the improvements thereon, other than the lien for taxes and assessments levied by the State of Arizona or County of Maricopa not yet due and payable, within five (5) days after the attaching of the lien.

(b) Notice of Suit. Lessee shall give notice to Lessor of every action, suit or other proceeding which may affect Lessee's interest in this Lease, the Leased Premises or the improvements thereon, including any such action, suit or other proceeding that may result in a judgment lien, such notice to be given within five (5) days after Lessee receives notice thereof.

ARTICLE VIII

Surrender of Possession, Title to Improvements, Indemnity and Rent Abatement

8.1 Surrender of Possession.

Upon the expiration of the term hereof, or upon the earlier termination of this Lease, Lessee shall surrender to Lessor the Leased Premises and all improvements thereon. All items not removed from the Leased Premises shall be deemed abandoned and shall become the property of Lessor unless removed at or prior to the expiration or termination of this Lease. Any personal property not removed by Lessee at or prior to the expiration or termination of this Lease may be removed by Lessor to any place of storage and stored for the account of Lessee without Lessor in any way being liable for trespass, conversion or negligence by reason of any acts of

Lessor or of Lessor's agents, or of any carrier employed in transporting such property to the place of storage or by reason of the negligence of any person in caring for such property while in storage.

8.2 Title to Improvements.

Upon the expiration of the term hereof, or upon the earlier termination of this Lease, Lessee's right, title and interest in and to any improvements located on the Leased Premises, as they then exist shall automatically be vested in Lessor without any liability or obligation on the part of Lessor, express or implied, to pay or compensate Lessee therefore. Lessee may not demolish the improvements located on the Leased Premises without obtaining the prior written approval of Lessor.

8.3 Lessee's Indemnification of Lessor.

Lessee shall defend (using counsel reasonably acceptable to Lessor), indemnify and hold Lessor harmless for, from and against any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against Lessor by reason of any of the following occurring during the term of this Lease:

- (a) any work or thing done in, on or about the Leased Premises or any part thereof;
- (b) any use, non-use, possession, occupation, condition, operation, maintenance or management of the Leased Premises or the improvements thereon or any street, avenue, alley, sidewalk, curb, passageway, entrances or spaces adjacent thereto;
- (c) any negligence on the part of Lessee or any of its agents, contractors, servants, employees, licensees or invitees;
- (d) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises or the improvements thereon; or
- (e) any failure on the part of Lessee to keep, observe or perform any of the terms, covenants, provisions, agreements, conditions or limitations contained in this Lease on Lessee's part to be kept, observed and performed.

In case any action or proceeding is brought against Lessor by reason of any such claim, Lessee, upon written notice from Lessor, shall at Lessee's sole cost and expense, including counsel fees, resist or defend such action or proceeding by counsel approved by Lessor in writing, such approval not to be withheld unreasonably, but no approval of counsel shall be required in each and every instance where the claim is resisted or defended by counsel of an insured's carrier obligated to so resist or defend such claim. Lessee's indemnification obligations hereunder will survive any transfer or termination of Lessee's interest in the Lease or the Leased Premises.

8.4 Insurance.

- (a) Lessee will at all times during the term of this Lease keep all improvements located on the Leased Premises insured to the extent of at least one hundred percent (100%) of the insurable value thereof, with a replacement cost endorsement, against loss by fire and other

risks or hazards normally embraced by Extended Coverage. The proceeds of such policy shall be payable to the first mortgagee if required by any first mortgage, and if not so required, then to Lessor and Lessee as their interests may appear. Any proceeds payable to any first mortgagee shall be made available for repairs and restoration under the terms of this Lease, and any excess shall be payable to Lessee and the first mortgagee as their interests may appear. Any provision herein contained to the contrary notwithstanding, in no event shall less insurance coverage be carried and be provided for than will fully pay and satisfy any and all mortgage liens or other encumbrances as may from time to time exist and pertain to the Leased Premises and all the improvements thereon.

(b) Lessee shall at all times during the term of this Lease maintain in full force and effect comprehensive bodily injury and property damage liability insurance against claims for bodily injury, death or property damage, occurring in or about the Leased Premises and the improvements thereon, in or about the adjoining streets and passageways, naming the Lessor and Lessee as the insured, such insurance to afford minimum protection of not less than \$500,000 in respect to any one accident, but in any event sufficient to cover the indemnification of Section 8.3 hereof. The scope and amounts of coverage for liability insurance which Lessee is required to maintain are subject to periodic review and increase after the fifth (5th) anniversary of the Commencement Date of this Lease and no more often than once every five (5) years thereafter. At each insurance review, the scope and amounts may be increased to correspond with prevailing liability insurance coverage for similar residential properties, and such increase may be reflected in an amendment to this Lease, which shall be signed by both parties.

(c) All insurance provided for in this Section shall be effected under valid and enforceable policies issued by insurers of recognized responsibility, licensed to do business in the State of Arizona. Upon the execution of this Lease, and thereafter not less than twenty (20) days prior to the expiration dates of the then expiring policies theretofore furnished pursuant to this Section, a copy of such policies or certificates thereof in the case of bodily injury or property damage liability insurance, bearing notations evidencing the payment of premiums or accompanied by other evidence of such payment, shall be delivered by Lessee to Lessor. Each policy, shall to the extent obtainable, have attached thereto endorsements to the effect that: (i) such policies shall not be cancelled or materially changed without at least ten (10) days prior written notice to Lessor; (ii) names Lessor as an additional insured thereunder; and (iii) that no act or omission of Lessee shall invalidate the interest of such person or entity entitled to such notice. Lessee hereby authorizes and directs Lessee's insurers and their agents to prepare and deliver all documents required under this Section to Lessor.

8.5 Destruction, Abatement of Rental and Other Charges.

(a) If all or any part of the improvements on the Leased Premises shall be totally or partially destroyed or damaged by fire or other casualty, Lessee shall rebuild or otherwise repair such improvements, and Lessee shall be entitled to all insurance proceeds to effect such repairs and rebuilding. It is expressly understood, however, that nothing contained herein shall relieve or alter or affect Lessee's obligation to pay rent or other charges or otherwise perform its obligations under this Lease, and destruction of all or substantially all of the improvements on the Leased Premises during the term hereof shall not relieve Lessee of the duty to pay rent, other charges and otherwise perform its obligations hereunder.

(b) Anything in this Lease to the contrary notwithstanding, if the improvements located on the Leased Premises are destroyed by fire or other casualty within four (4) years prior to the expiration of the term of this Lease, and the cost of restoration exceeds twenty five percent

(25%) of the fair market value of such improvements, as estimated by a licensed architect or licensed professional engineer selected by Lessee and approved by Lessor (which approval shall not be unreasonably withheld), Lessee shall have the option of terminating this Lease by giving written notice thereof to Lessor within sixty (60) days after such destruction or damage; provided, however, that:

- (i) the applicable insurance shall be valid and subsisting and adequate to cover such destruction or damage without any defenses to the payment thereof by the insurance carriers based upon acts or omissions of Lessee; and
- (ii) this Lease, at the time of such election, is free from any defaults and free from any pending matters that might develop into additional rents; and
- (iii) upon such termination, Lessee shall not be entitled to any portion of the proceeds of such insurance, all of which shall become the sole property of Lessor, except proceeds attributable to Lessee's personal property.

ARTICLE IX

Default by Lessee

9.1 Advances by Lessor.

Should Lessee at any time default in performances of any of Lessee's covenants, agreements or obligations hereunder, then Lessor may, after twenty (20) days' notice to Lessee, rectify and cure such default, and Lessee shall repay Lessor, upon demand, the full amount so paid and expended by Lessor, including but not limited to Lessor's reasonable costs and expenses in so doing, with interest on all such sums at the rate of two (2) points above the prime rate of interest as published in the Wall Street Journal from time to time, or similar index rates if prime is no longer published in the same format (but not in excess of the maximum legal rate), on the 30th day of each month such sums are owed to Lessor by Lessee, such interest to be charged from the date of expenditure until paid.

9.2 Injunction and Other Remedies.

In addition to the remedies provided for hereinafter for a default by Lessee, Lessor shall have the right to enjoin any breach or threatened breach by Lessee and the right to invoke any other remedy allowed by law. The election of one or more remedies shall not preclude Lessor from enforcing any other right or remedy provided for herein or allowed by law, including an action to recover sums due for damages.

9.3 Events of Default.

Any one or more of the following events shall constitute an event of default hereunder:

- (a) the purported transfer or acquisition by any means, voluntarily or involuntarily, of any portion of Lessee's interest in this Lease, the Leased Premises and/or the

improvements thereon, which is not expressly permitted under this Lease, including any attempt or imminent threat to undertake such prohibited transfer or acquisition; or

(b) the filing of a voluntary petition in bankruptcy by, or the filing of an involuntary petition in bankruptcy against, Lessee and any such petition is not removed within ninety (90) days; or

(c) the appointing of a receiver over all or substantially all of the property of the Lessee by the United States of America or any State thereof, and the order appointing such receiver is not vacated within sixty (60) days; or

(d) the purported assignment by Lessee of Lessee's interest in the Lease, the Leased Premises and/or the improvements thereon for the benefit of creditors; or

(e) the attachment or levying of Lessee's interest in the Lease, the Leased Premises or the improvements thereon pursuant to the process of any court, unless such attachment or levy shall be discharged within sixty (60) days; except no such grace period shall apply for a levy under a writ of special execution issued in connection with the foreclosure of any permitted mortgage as defined in Section 7.2 above; or

(f) the passing of this Lease by operation of law or otherwise to anyone other than one expressly permitted to receive the same under this Lease; or

(g) the attempt by Lessee to mortgage, hypothecate or otherwise encumber the Lease, the Leased Premises or the improvements thereon, except for a permitted mortgage; or

(h) the failure by Lessee to pay any ground rent, taxes, assessments or other charges or sums payable hereunder for a period of ten (10) days and which remains unpaid for a period of ten (10) days after written notice thereof is given by Lessor to Lessee; or

(i) the failure by Lessee to pay any indebtedness secured by a permitted mortgage, where such failure continues for ten (10) days after written notice thereof is given by Lessor to Lessee; or

(j) any breach of any other provisions of this Lease, where such breach continues for a period of thirty (30) days after written notice thereof is given by Lessor to Lessee (or such longer period as may reasonably be required to cure any such breach which may not reasonably be cured within such thirty (30) days, so long as such cure is promptly commenced and thereafter diligently prosecuted without delay or interruption).

9.4 Expiration of Lease.

If any one or more of the events described in the foregoing Section 9.3 should occur and Lessor shall give to Lessee notice stating that this Lease shall expire on a date not less than thirty (30) days thereafter, the terms of this Lease shall expire on the date fixed in such notice and all right, title and interest of Lessee in the Lease, the Leased Premises and the improvements thereon shall thereupon cease and expire and automatically revert to and vest in Lessor, and Lessee shall thereupon immediately quit and surrender the Leased Premises and such improvements to Lessor. The notice provided for in this Lease shall be in addition to any notice required by Section 9.3. Upon such termination, Lessor shall be entitled to record an affidavit of

forfeiture in the real property records of Maricopa County, which shall be conclusive evidence of such termination. In addition to and not in lieu of any other rights or remedies, Lessor shall be entitled to recover from Lessee the value at the time of such termination of the excess, if any, of the aggregate amount of the ground rents, taxes, assessments and any other charges payable hereunder for the balance of the stated term hereof over and above the then reasonable rental value of the Leased Premises and the improvements thereon for the same period. In no event shall Lessor be liable to Lessee if the value of the Leased Premises and the improvements thereon exceeds the aggregate amount of ground rents, taxes, assessments and other charges payable under this Section 9.4.

9.5 Re-Entry.

If any one or more of the events described in the foregoing Section 9.3 should occur, Lessor shall be entitled, whether or not this Lease shall be terminated pursuant to Section 9.4, without notice, to re-enter the Leased Premises and the improvements thereon and to remove all persons and personal property therefrom. Lessee hereby waives all claims for damages that may be caused by any exercise of the rights of re-entry, repossession and removal herein granted and reserved, and hereby agrees to save Lessor harmless from any loss, liability, costs and damages which may be incurred by Lessor as a result thereof, and no such re-entry and repossession shall be considered or construed to be a forcible entry.

9.6 Reletting by Lessor.

If any one or more of the events described in Section 9.3 should occur, Lessor shall be entitled in lieu of terminating this Lease pursuant to Section 9.4 to relet the Leased Premises and lease the improvements thereon for the account of Lessee for such rental and upon such other terms and conditions as Lessor, in its reasonable discretion, may determine. The fact that Lessor may have relet the Leased Premises and leased the improvements thereon for the account of Lessee shall not prevent Lessor from subsequently giving notice to Lessee that this Lease is terminated pursuant to the provisions of Section 9.4 and that after the date specified in such notice the Leased Premises and the improvements thereon shall be deemed to be relet and leased for the account of Lessor. The net proceeds of any such reletting and leasing for the account of Lessee remaining after reimbursement of Lessor for all expenses in connection with such reletting and leasing (including, without limitation, all repossession costs, brokerage commissions, legal expenses, alteration costs, and other expenses reasonably incurred in connection with such reletting) shall be applied to the payment of the ground rents, taxes and assessments and other sums due or to become due from Lessee to Lessor hereunder, and to payments upon the indebtedness secured by any permitted mortgage, any excess proceeds shall be paid to Lessee.

9.7 Collection of Rental from Tenants.

If an event of default occurs and continues hereunder at a time when Lessee shall have sublet the Leased Premises and leased the improvements thereon, with or without Lessor's consent, Lessor shall have the right but not the obligation to demand and receive the subrental due or becoming due from such sublessee, up to an amount sufficient to cure any such default, and the amount of any such payment made to Lessor shall be credited by Lessor against the subrental payable by sublessee under the sublease.

9.8 Waivers.

The failure of Lessor to insist, in any one or more instances, upon strict performance of any of the covenants or conditions hereof, or to exercise any right or option herein contained, or to give any notice, or to institute any action or proceedings, shall not be construed as a waiver of such default or a relinquishment of the right to enforce such covenant or to exercise such right or option or to institute such action or proceeding in the future, and such covenants, conditions, options and rights shall continue and remain in full force and effect. The receipt by Lessor of ground rent or any other sums payable hereunder, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver of any provision hereof shall be binding upon Lessor unless made in writing and signed by Lessor.

9.9 Reimbursement of Attorneys' Fees and Other Expenses; Late Charges.

(a) If Lessor shall retain an attorney to enforce any of the terms, covenants or provisions of this Lease, and whether or not any action shall be commenced, Lessee shall pay reasonable attorneys' fees in connection therewith. If any action is commenced, the successful party may recover from the unsuccessful party reasonable attorneys' fees in connection with said action.

(b) Lessee acknowledges and agrees that any default by Lessee in making the payments of rent and any other charges or sums payable under this Lease will result in Lessor incurring additional expenses in servicing the Lease and a loss to Lessor of the use of money due as well as interfering with and frustrating Lessor's ability to cover its operational expenses for the Leased Premises. Lessee also acknowledges that it is extremely difficult and impractical, if not impossible, to measure the extent and monetary value of any such damages to Lessor and, therefore, Lessee agrees that an amount equal to the greater of \$15.00 or a sum equal to ten cents (10¢) for each dollar of each such payment which becomes delinquent is a reasonable estimate of such damages and Lessee agrees to pay such damages, without prior notice or demand, if any such payments are not paid within five (5) days after the date when such payment is due, with interest on any such sums at the rate of two (2) points above the prime rate of interest as published in the Wall Street Journal, or similar index rates if prime is no longer used (but not in excess of the maximum legal rate), on the 30th day of each month any such sum is owed by Lessee to Lessor. Any subsequent installments of rent received by Lessor from Lessee, shall, at the option of Lessor, be applied first to the payment of such charges for damages and the balance thereof on account of rent or any other sums payable under this Lease.

ARTICLE X

Lessee's Quiet Enjoyment

10.1 Quiet Enjoyment.

Lessee, upon paying the ground rents, taxes and assessments and performing the covenants and complying with the conditions on the part of Lessee to be performed and complied with as herein set forth, shall, at all times during the term hereof, quietly have, hold and enjoy peaceable and exclusive possession of the Leased Premises.

ARTICLE XI
CONDEMNATION

11.1 Definition of Terms.

The following terms shall have the following meaning as used in this Article XI:

(a) "Total taking" means the taking of the entire Leased Premises under the power of eminent domain or the taking of so much of the Leased Premises as to prevent or substantially impair the use thereof by Lessee for the uses and purposes for which the same is leased under this Lease.

(b) "Partial taking" means the taking of a portion only of the Leased Premises which does not constitute a total taking as defined above.

(c) "Taking" shall include a voluntary conveyance to an agency, authority or public utility under threat of a taking under the power of eminent domain in lieu of formal proceedings.

(d) "Date of taking" shall be the date upon which title to the Leased Premises or a portion thereof so taken passes to and vests in the condemning authority.

11.2 Effect of Taking.

If during the term hereof there shall be a total taking or partial taking under the power of eminent domain, then the Leasehold estate of Lessee in and to the Leased Premises or the portion thereof so taken shall cease and terminate as of the date of taking. If this Lease is so terminated, all rentals and other charges payable by Lessee to Lessor hereunder and attributable to the Leased Premises or portion thereof so taken shall be paid by Lessee to the date of taking by the condemning authority, and the parties thereupon shall be released from all further liability hereunder in relation thereto.

11.3 Allocation of Award – Total Taking.

All compensation and damages awarded for the total taking of the Leased Premises and Lessee's leasehold interest therein shall be allocated as follows and in the following order of priority:

(a) To any first mortgagee, the principal balance on the first mortgage, together with interest and any other sums or charges due thereunder by Lessee.

(b) To Lessor:

(i) the fair market value of the Leased Premises exclusive of any improvements thereon, discounted by multiplying such fair market value by the factor for the present worth of one dollar (\$1.00) at ten percent (10%) per annum compound interest for the number of years remaining from the date of taking to the date of expiration of the term of this Lease; and

- (ii) the amortized portion of the fair market value of the improvements located on the Leased Premises, such amortization to be spread evenly over the term of this Lease, discounted by multiplying the same by the factor for the present worth of one dollar (\$1.00) at ten percent (10%) per annum compound interest for the number of years remaining from the date of taking to the date of the expiration of the term of this Lease; and
- (iii) the present worth of rents due during the period from the date of taking to the date of expiration of the term of this Lease, computed by multiplying the annual rent then payable by the factor for the present worth of one dollar (\$1.00) per year (Inwood Coefficient) at ten percent (10%) per annum compound interest for the number of years remaining from the date of taking to the date of expiration of the term of this Lease.

(c) To Lessee, the remaining balance of the total award, including any sums to be paid to or jointly with any permitted mortgagee other than a first mortgagee, according to the terms of any such other permitted mortgage.

11.4 Allocation of Award – Partial Taking.

(a) If at any time during the term of this Lease, there shall be partial taking, Lessee shall promptly restore and repair the Leased Premises and the improvements thereon, and all of the awards resulting from such condemnation shall be held by Lessee and applied and paid over to the cost of such demolition, repair and restoration. Any balance remaining in the hands of Lessee after payment of such cost of demotion, repair and restoration shall be paid over to the permitted mortgagee and applied in reduction of the balance of the loan, and any remaining balance shall be paid to Lessor.

(b) Upon any partial taking, the rent payable by Lessee hereunder shall be adjusted from the date of taking to the date of expiration of the term of this Lease. The rental adjustment will be made by reducing the rental in the same ratio that the fair market value of the Leased Premises at the date of taking bears to the fair market value of the Leased Premises immediately thereafter.

ARTICLE XII

Miscellaneous Provisions

12.1 Encumbrance.

The word "encumbrance" as used in this Lease includes any choate or inchoate lien, encumbrance or other real property interest which does or could affect title to the Leased Premises or any of the improvements thereon.

12.2 Changes to be in Writing.

This Lease may not be modified in any respect except by a written amendment signed by both parties. No provisions of this Lease may be deemed waived, released or compromised in any respect, except to the extent such waiver, release or other compromise appears in a written

instrument signed by the party against whom such waiver, release or other compromise is sought to be enforced.

12.3 No Partition.

There shall be no judicial partition of the Leased Premises or any part thereof, nor shall any person acquiring any interest in the Leased Premises or any part thereof seek any such judicial partition.

12.4 To Whom Covenants Apply.

All references herein to Lessor shall be deemed to include Lessor's heirs, legal representatives, successors and assigns, and the covenants herein contained shall apply to, bind, and inure to the benefit of Lessor's heirs, legal representatives, successors and assigns. Subject to the restrictions upon assignment herein set forth, all references herein to Lessee shall be deemed to include the heirs, executors, administrators, legal representatives, legatees, distributors and assigns of Lessee, and the covenants herein contained shall apply to, bind, and inure to the benefit of Lessee and, subject to said restrictions, the permitted heirs, executors, administrators, legal representatives, legatees, distributees and assigns of Lessee.

12.5 Lessee More Than One Person.

If more than one person is named as Lessee hereunder, Lessor may require the signatures of all such persons in connection with any notice to be given or action to be taken by Lessee hereunder, including without limiting the generality of the foregoing, the surrender or assignment of this Lease or any request for consent to assignment or subletting. If Lessee is married, Lessor may require the signature of Lessee's spouse in connection with any such notice or action, whether or not such spouse has executed or consented to this Lease. Each person named as Lessee shall be fully, jointly and severally liable for all of Lessee's obligations hereunder. Any notice by Lessor to any person named as Lessee shall be sufficient and shall have the same force and effect as though given to all persons named as Lessee.

12.6 Gender and Number.

Feminine or neuter pronouns shall be substituted for those of the masculine form and the plural shall be substituted for the singular number in any place or places herein where the context may require such substitution.

12.7 Enter, Re-Enter and Re-Entry.

The words "enter", "re-enter" and "re-entry" as used in this Lease are not restricted to their technical meaning.

12.8 Headings.

The headings in this Lease have been inserted for convenience only, shall not be deemed a part of this Lease, and shall in no way modify or restrict any of the terms or provisions hereof.

12.9 Notices.

Any notices or other communications by Lessor to Lessee, or by Lessee to Lessor, shall be in writing, shall be deemed delivered and effective upon the earlier of (a) delivery, or (b) refusal of the addressee to accept delivery or failure of delivery after at least one attempt, in each case under this clause (b) as such events are recorded in the ordinary business records of the delivery entity, if such notice is sent by a nationally recognized express courier service, or reputable local hand delivery service, with all charges prepaid or charged to the sender's account, or by United States Mail, certified or registered, return receipt requested, with all postage and other charges prepaid, in either case to the applicable notice address of Lessor or Lessee as set forth in the first paragraph of this Lease or such other address as may from time to time be designated by Lessor or Lessee, as the case may be, in the manner herein set forth for the giving of notices.

12.10 Governing Law.

This Lease shall be construed in accordance with and governed by the laws of the State of Arizona.

12.11 Effect of Partial Invalidity.

If any provision herein contained shall be adjudged invalid such fact shall not affect the validity of any other provision of this Lease or give rise to any cause of action in favor of either party as against the other, and this Lease shall be construed as if not containing the provision or provisions held to be invalid.

12.12 Time is of the Essence.

Time is of the essence with respect to the performance of each and every one of the terms, covenants, conditions and provisions of this Lease.

12.13 Merger.

The fee title of Lessor and the leasehold interest of Lessee shall at all times be separate and apart, and shall in no event be merged, notwithstanding the fact that this Lease or the leasehold estate created hereby, or any interest in either thereof, may be held directly or indirectly by or for the account of any person who shall own the fee estate in the Leased Premises and Lessee's interest in the Lease; and no such merger of estate shall occur by operation of law, or otherwise, unless and until all persons at the time having any interest in the fee estate and all persons having an interest in the Lease or the leasehold estate, shall join in the execution of a written instrument effecting such merger of estates.

{Signatures on following pages}

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease, to be effective on the Commencement Date.

LESSOR:

HSL Scottsdale, LLC
an Arizona limited liability company

David Beckham, Authorized Signatory

LESSEE:

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DRAFT

LESSOR

STATE OF ARIZONA)
)
County of Maricopa)

This Lease, consisting of twenty-four (24) pages, was acknowledged before me this _____ day of _____, 2023 by David Beckham, who acknowledged himself to be the Authorized Signatory of HSL Scottsdale, LLC, an Arizona limited liability company (the "Lessor"), and that he as Authorized Signatory, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing for the Lessor.

My commission expires: _____

Notary Public

LESSEE

STATE OF _____)
)
County of _____)

This Lease, consisting of twenty-four (24) pages, was acknowledged before me this ____ day of _____, 2023 by _____ and _____ who acknowledged that he/she/they are the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged that he/she/they executed the same for the purposes therein contained.

My commission expires: _____

Notary Public