

Exhibit 3

DUE DILIGENCE AND ACCESS AGREEMENT

THIS DUE DILIGENCE AND ACCESS AGREEMENT ("Agreement") is made and entered into as of June 16, 2014, by and between SCHILLING PLACE PROPERTY, LLC, a California limited liability company and SCHILLING PLACE QC, LLC, a California limited liability company (collectively, "Schilling LLC"), and the COUNTY OF MONTEREY, CALIFORNIA, a political subdivision of the State of California ("County"), with reference to the following facts.

A. Schilling LLC is the owner of fee title to the Property described in Article 1 below, and desires to sell the Property to County.

B. County is considering purchasing the Property from Schilling LLC and for such purposes entering into a purchase and sale agreement ("Purchase Agreement") in the form and content attached as Exhibit "B" to this Agreement.

C. In order to determine if County desires to enter into the Purchase Agreement with Schilling LLC, and prior to entering into a binding contract relating to such purchase, County desires to conduct certain due diligence review of the Property and related matters,

D. County and Schilling LLC desire to enter into this Agreement to set forth the County's rights and Schilling LLC's obligations concerning County's conduct of due diligence review of the Property and related matters prior to potentially entering into the Purchase Agreement.

E. County desires that Schilling LLC not make or accept any offers to sell the Property to another person during the Due Diligence Period and is willing to make a deposit into an escrow as set forth herein in consideration of Schilling LLC so agreeing not to make or accept any offers to sell the Property during the Due Diligence Period.

Now Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, County and Schilling LLC hereby agree as follows:

1. Definitions.

For the purposes of this Agreement, in addition to terms defined within later within this Agreement, the following particular terms are defined as follows:

(a) "Actual Knowledge of Schilling LLC" means and is limited to the actual present knowledge of Barbara B. Hines, CEO, who is the person most knowledgeable concerning applicable matters with, for and at Schilling LLC as of the date hereof.

(b) "Building(s)" means individually and collectively (i) the building known as 1441 Schilling Place, Salinas, California, containing approximately 202,358 square feet of rentable area of and situated on approximately 13.82 acres of land, and (ii) the building(s) known as 1448 and 1494 Schilling Place, Salinas, California, containing approximately 91,707 square feet of rentable area of and situated on approximately 9.54 acres of land, all situated on the Land and comprising a part of the Improvements, each as defined hereinbelow.

(c) "Business Day" means any day other than a Saturday, Sunday or other day on which banking institutions in the State of California are authorized by law or executive action to close.

(d) "Capital One Leases" means collectively the following leases:

(1) that certain Land and Building Lease by and between Schilling Place Property, LLC (successor-in-interest to Lincoln National Life Insurance Company, successor-in-interest to Alexander Hamilton Life Insurance Company of American) (as landlord) and Capital One, N.A. (together with its affiliates, "Capital One") (successor-in-interest to HSBC Card Services, Inc.) (as tenant) dated as of December 28, 1990, as

amended by that certain First Amendment to Land and Building Lease dated as of October 6, 1995 (together with all other amendments, addenda, memoranda and writings relating thereto), for the lease of the entire building known as 1441 Schilling Place, Salinas, California, and

(2) Schilling Place QC, LLC (successor-in-interest to Salinas Development Group) (as landlord) and Capital One (successor-in-interest to HSBC Card Services, Inc., fka Household Credit Services, Inc.) (as tenant) dated as of May 5, 2003 (together with all other amendments, addenda, memoranda and writings relating thereto) for the lease of the entire buildings known as 1448 and 1494 Schilling Place, Salinas, California.

(e) **"Capital One Lease Buyout Price"** means that certain aggregate lease buyout price agreed upon between the tenant under the Capital One Leases and County, as the successor (or to-be-successor) landlord under the Capital One Leases for the tenant's termination of the Capital One Leases and surrender of all rights, title and interest in and to the Property and the Capital One Leases, and the corresponding landlord's (i.e., County's and Schilling LLC's) release and quitclaim of all further obligations and liabilities of the tenant, Capital One, under the Capital One Leases, other than continuing obligations and duties expressly provided under the Capital One Leases as surviving the expiration or earlier termination thereof (including, without limitation, continuing indemnity obligations and the like).

(f) **"Deposit"** means \$100,000 and will be placed into escrow within five (5) days following mutual execution of this Agreement.

(g) **"Due Diligence Period"** means the period ending on the date which is seventy-five (75) days from the later of (1) the Effective Date, and (2) Schilling LLC's delivery of all Due Diligence Materials as described in Article 6 below into an electronic war room established by Schilling LLC (or its Broker) with notice and available access provided to County (subject to extension as provided in Section 65.1), and is the period of time during which County must complete its due diligence as described in Article 6.

(h) **"Effective Date"** means the date of the full execution and delivery of this Agreement by County and Schilling LLC.

(i) **"Escrow Holder"** means First American Title Insurance Company, San Jose Office. Title officer is initially designated as Teresa Woest.

(j) **"Improvements"** means Schilling LLC's right, title and interest in and to all Buildings (as defined hereinabove), structures, parking lots and improvements now or on the Closing Date (as defined in the Purchase Agreement) situated on the Land (as defined below) and subject to the Capital One Leases.

(k) **"Intangible Property"** means, collectively, (i) any plans, specifications or surveys with respect to the Land and/or Improvements, (ii) any warranties, guarantees, indemnities, claims or causes of action with respect to or in connection with the Land, Improvements, Personal Property, and/or leases, and (iii) any name rights, website, web domain and/or other intangible personal property solely related to or used in connection with the Land and/or Improvements, (iv) all transferable consents, authorizations, variances or waivers, licenses, permits and approvals from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality solely in respect of the Land or Improvements; (v) all instruction and/or operating manuals for any of the Personal Property; and (vi) all unpaid insurance claims or proceeds or awards for damages to the Land and/or Improvements resulting from any casualty or any taking.

(l) **"Land"** means that certain real property located in the City of Salinas, Monterey County, California, which is more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all rights, privileges and easements appurtenant to said real property, and all right, title and interest of Schilling LLC, if any, in and to any land lying in the bed of any street, road, alley or right-of-way, open or closed, adjacent to or abutting the Land.

(m) "Notices" shall be sent as follows:

To Schilling LLC:

QueensCare
Administrative Offices
950 South Grand Avenue, 2nd Floor South
Los Angeles, CA 90015
Attn: Barbara B. Hines, Chief Executive Officer
Phone: (323) 669-4304
Email: bbhines@queenscare.org

with a copy to:

Gilchrist & Rutter, P.C.
1299 Ocean Avenue, Suite 900
Santa Monica, California 90401
Attn: Henry A. Herrman, Esq.
hherrman@gilchristutter.com

To County:
County of Monterey
168 W. Alisal St.
Salinas, CA 93901
Attn: Benny Young, RMA Director
Phone: (831) 755-5862
Email: youngb@co.monterey.ca.us

with a copy to:

County Counsel
168 W. Alisal St.
Salinas, CA 93901
Attn: Leslie J. Girard, Chief Assistant
Email: girardlj@co.monterey.ca.us

To Escrow Holder:

First American Title Insurance Company
Attn: Teresa Woest, Senior Commercial Escrow Officer
1737 North First Street, Suite 500
San Jose, CA 95112
Phone: (408) 451-7972
Email: TWoest@firstam.com
Escrow Number: NCS 665219

To Title Company:

First American Title Insurance Company
1737 North First Street, Suite 500
San Jose, CA 95112
Attn: Mike D. Hickey
Phone: (408) 451-7905
Email: mhickey@firstam.com or TWoest@firstam.com
Order Number: NCS-665219-SC

(n) "Permitted Exceptions" means, collectively, (1) liens for taxes, assessments and governmental charges not yet due and payable or due and payable but not yet delinquent, (2) such state of facts and exceptions to title as are disclosed in the Title Materials, (3) such other matters affecting the condition of title to the Property created by or with the written consent of County, and such matters approved or deemed approved by County in accordance with this Agreement, (4) in the event County fails to cause a survey to be completed and delivered to the Title Company, any matters which would be shown by a survey of the Property, and (5) rights of parties in possession under leases approved or deemed approved by County.

(o) "Personal Property" means all furniture, carpeting, apparatus and equipment if any owned by Schilling LLC and currently used exclusively in the operation, repair and maintenance of the Land and Improvements and situated thereon, but excluding any property owned by contractors or licensees of Schilling LLC, and is subject to depletions, replacements and additions in the ordinary course of Schilling LLC's business, ~~but shall include all such personal property owned and/or installed by Capital One as of the date hereof (including interior furniture, fixtures equipment and the like).~~

(p) "Property" means, collectively, all of Schilling LLC's right, title and interest in and to the Land, the Improvements, the Intangible Property and the Personal Property.

(q) "Title Company" means First American Title Insurance Company, San Jose Office.

(r) "Title Materials" means that certain preliminary title report prepared by Title Company, dated as of April 10, 2014, Title Order No. NCS-665219-SC ("PTR"), copies of documents described in such report, and other materials relating to the foregoing.

2. Deposit.

In consideration of Schilling LLC's agreement in Article 13 below, County agrees to deliver to Escrow Holder in cash, by confirmed wire transfer or by certified cashier's check collectible in same day funds, the Deposit. Escrow Holder will invest the Deposit in an interest bearing account and interest earned in the Escrow will be for the account of County. Upon the expiration of the Due Diligence Period, unless County has given written notice to Schilling LLC and Escrow Holder that County will not enter into the Purchase Agreement, the Deposit and any interest earned thereon in Escrow will become non-refundable to the County and shall be deemed earned by Schilling LLC (subject to being credited to the purchase price under the Purchase Agreement if it is entered into). On the sixth day after the end of the Due Diligence Period (the "Deposit Release Date"), the Deposit and interest earned thereon in Escrow shall be released and delivered by Escrow Holder to Schilling LLC automatically without further authorization or instruction by Schilling or County, unless County delivers written notice that it will not enter into the Purchase Agreement to Schilling LLC and Escrow Holder as provided in this Agreement on or before the end of the Due Diligence Period. Schilling and County hereby authorize and instruct Escrow Holder to deliver the Deposit and the interest earned thereon in Escrow to Schilling LLC on the Deposit Release Date, and hereby agree to indemnify and defend Escrow Holder against any and all claims, demands, damages, liabilities, costs and expenses, incurred by Escrow Holder and arising from Escrow Holder's so delivering the Deposit and the interest earned thereon in Escrow to Schilling LLC without further instruction or authorization. Schilling LLC and County shall execute and deliver to Escrow Holder such additional instructions and other documents reasonably requested by Escrow Holder in order to authorize and instruct Escrow Holder to carry out the foregoing provisions regarding the Deposit and the interest earned thereon in Escrow.

If for any reason expressly set forth in this Agreement any portion of the Deposit and any interest earned thereon is to be returned to County, such funds shall be released and delivered by Escrow Holder to County automatically without further authorization or instruction by Schilling LLC or County.

3. Capital One Lease Buyout.

The Improvements are currently leased by a single tenant, Capital One, as successor to the original tenant under the Capital One Leases (defined above), according to the terms and conditions of the Capital One Leases. The parties hereto acknowledge and agree that County shall have the right for a period of sixty (60) days following the

Effective Date (the "Capital One Lease Buyout Negotiation Period") to negotiate the final Capital One Lease Buyout Price with Capital One for the termination of the Capital One Leases. Any final agreement for the Capital One Lease Buyout Price and the details surrounding the lease termination and surrender of the premises shall be made and entered into by and between Capital One and County, and shall not be a condition precedent to Closing under the Purchase Agreement, should it be entered into, except as expressly provided thereunder. The parties anticipate that the final Capital One Lease Buyout Price shall be equal to Twenty-Three Million Dollars (\$23,000,000.00) (the "Anticipated Capital One Lease Buyout Price"). County shall be entitled to receive and retain amounts of the Capital One Lease Buyout Price up to the amount of the Anticipated Capital One Lease Buyout Price. If the actual final Capital One Lease Buyout Price exceeds the Anticipated Capital One Lease Buyout Price, then County and Schilling LLC shall share equally such excess amount of the Capital One Lease Buyout Price at the Closing of Escrow. If the actual final Capital One Lease Buyout Price is less than the Anticipated Capital One Lease Buyout Price, then County shall be entitled to a reduction of the Purchase Price under the Purchase Agreement by the amount of fifty percent (50%) of the shortfall of the Capital One Lease Buyout Price below the Anticipated Capital One Lease Buyout Price; provided that in no event shall the Purchase Price under the Purchase Agreement be less than Thirty-Six Million Dollars (\$36,000,000). Notwithstanding the foregoing, however, if County and Capital One fail to agree on a final Capital One Lease Buyout Price acceptable to all parties within the Capital One Lease Buyout Negotiation Period, then County shall have the right to terminate Escrow and this Agreement, and the Deposit and any interest earned thereon shall be returned to County. County shall deliver written notice of such termination, if at all, within two (2) business days following the expiration of the Capital One Lease Buyout Negotiation Period. Failure to provide written notice of its election to so terminate this Agreement and Escrow (if applicable) shall be deemed County's waiver of its right to terminate this Agreement and its right to have the Deposit refunded for failure to agree upon an acceptable termination of the Capital One Leases, including, without limitation, a final acceptable Capital One Lease Buyout Price. Without limiting the foregoing, the parties acknowledge and agree that Schilling LLC's Broker, CBRE, as representatives of the Schilling LLC, shall have the right and authority to participate in the negotiations and discussions for the buyout of the Capital One Leases along with the County and its representatives, for purposes of representing Schilling LLC's interest in maximizing the Capital One Lease Buyout Price and any relevant provisions of any applicable lease termination agreement. Provided the parties enter into the Purchase Agreement, then County shall be entitled to require Capital One to post and deliver a good faith deposit into Escrow for the purpose of liquidating damages to County in a like amount of County's liquidated damages to Schilling LLC in the event of a failure to Close Escrow as provided in the Purchase Agreement owing to a breach by Capital One to deliver the Capital One Lease Buyout Price into Escrow at Closing, leading to County's inability to Close and consequential default of the Purchase Agreement and liquidated damages to Schilling LLC in the Amount of then-applicable Deposit delivered into Escrow by County under the Purchase Agreement.

4. **Due Diligence Costs and Expenses.**

If the parties do not enter into the Purchase Agreement as contemplated hereinbelow, then County shall be solely responsible for all costs and expenses relating to its due diligence review and studies, except to the extent otherwise expressly provided in this Agreement.

5. **County Conditions Precedent to Purchase Agreement.**

The following conditions must be satisfied or waived by County not later than the expiration of the Due Diligence Period or such other period of time as may be specified below, in order for the County to enter into the Purchase Agreement:

(a) **Title.** County shall have approved or waived all objections to the condition of title as provided in this Section 5.1(a). Schilling LLC will furnish to County, as soon as available, but no later than five (5) days after the Opening of Escrow, a preliminary report for the Property prepared by the Title Company ("Title Report") together with copies of the documents described in such report. County shall have ten (10) days following receipt of the Title Report and underlying documents (the "Title Objection Period"), to examine the Title Report and notify Schilling LLC in writing of any defects in title or other objectionable matters (collectively, "Title Defects") disclosed by the Title Report and/or any survey of the Property obtained by County (the "Survey"). If County fails to notify Schilling LLC of any such Title Defects before the expiration of the Title Objection Period, then unless Schilling LLC shall otherwise elect in writing, County shall be deemed to have approved all matters

disclosed by the PTR and Survey. Notwithstanding the foregoing, Schilling LLC shall cause all mortgages, deeds of trust and security interests in the real property, monetary liens, and all other encumbrances securing Schilling LLC's monetary obligations affecting the real property (the "Monetary Liens") to be released and discharged of record on or prior to the Closing (as defined in the Purchase Agreement). If County timely notifies Schilling LLC of Title Defects prior to the expiration of the Title Objection Period, Schilling LLC shall have until ten (10) days following receipt of County's Title Defects notice, to advise County that either:

(1) Schilling LLC will remove from the Title Policy (as defined in the Purchase Agreement) any Title Defects or obtain appropriate endorsements in form reasonably acceptable to County to the Title Policy to insure over such Title Defects on or before the Closing Date (as defined in the Purchase Agreement); or

(2) Schilling LLC will not cause the Title Defects to be removed.

If Schilling LLC advises County that it will not cause the exceptions to be removed, County will have until the earlier of (i) 10 days after such notification by Schilling LLC or (ii) the expiration of the Due Diligence Period to elect either to:

(i) proceed with executing and entering into the Purchase Agreement to purchase and acquire the Property subject to Title Defects according to the Purchase Agreement; or

(ii) cancel the Escrow by written notice to Schilling LLC and Escrow Holder and elect not to enter into the Purchase Agreement, and obtain a refund of the Deposit and all interest earned thereon, and County and Schilling LLC shall each pay fifty percent (50%) of any cancellation costs incurred as a result of the cancellation of this Agreement.

If County does not give Schilling LLC notice of its election to either proceed or cancel within such period, County will be deemed to have elected to proceed with this transaction and the Deposit shall be non-refundable.

(b) **Inspections and Studies.** County shall have approved the property condition and results of all inspections and studies as provided in this Section 5.1(b).

(1) County shall keep any information provided by or on behalf of Schilling LLC which Schilling LLC identifies as being privileged, confidential or proprietary (collectively, "**Confidential Information**") confidential and shall not disclose same to any person or entity without Schilling LLC's prior written consent, except as required by law or legal process; provided, however, that County may furnish a copy of said Confidential Information to any person or entity contemplating an investment in the Property as a partner or permitted assignee of County, or to any consultant engaged in, or commenting upon such Confidential Information on County's behalf, provided that County informs such persons or entities of the confidential nature of such Confidential Information and advises them that they are bound by the County's duty to maintain the confidentiality of the Confidential Information pursuant to the terms of this Section 5.1(b), and provided further that County shall be responsible for the breach by any such persons or entities of County's duty to maintain the confidentiality of the Confidential Information pursuant to the terms of this Section 5.1(b). It is expressly agreed that nothing herein shall be deemed to preclude County from making its own Environmental Assessment of the Property as provided below.

(2) By the end of the Due Diligence Period, County shall notify Schilling LLC and Escrow Holder in writing of County's approval or disapproval of the results of any and all inspections, investigations, tests and studies as County may have elected to make or obtain within the Due Diligence Period as provided in this Agreement, and County shall thereupon determine in its discretion whether or not to enter into the Purchase Agreement. County shall be solely responsible for and shall pay for all costs and expenses relating to such inspections, tests and studies. In the event that this Agreement and the Escrow is terminated without entering into the Purchase Agreement, or if the parties enter into the Purchase Agreement and thereafter terminate Escrow prior to the Closing, County shall promptly return to Schilling LLC the Title Materials and all other documents pertaining to the Property provided by or on behalf of Schilling LLC and, provided that, Schilling LLC reimburses County for the County's actual out-of-pocket costs of the items requested by Schilling LLC, County shall deliver all originals and

copies of all inspections, investigations, tests or studies made by or on behalf of County to Schilling LLC. County will not be deemed to make any representations or warranties to Schilling LLC with respect to the contents thereof.

6. **County's Due Diligence.**

6.1 **Schilling LLC's Delivery of Diligence Materials.** Within five (5) days after the Effective Date, Schilling LLC shall deliver to County (or otherwise provide reasonable access to County to) copies of all items described in Sections 6.2(c), (d) and (e) below which are in Schilling LLC's possession, except appraisals and information that is privileged, confidential or proprietary; provided that the Due Diligence Period shall be extended one day for each day beyond said five (5) days that such materials are either delivered to County or reasonable access provided by Schilling LLC. County expressly agrees that Schilling LLC is furnishing copies of all such documents and information to County for informational purposes only and without representation or warranty as to the accuracy or completeness of the contents of such materials except as otherwise provided in this Agreement. Schilling LLC believes said documents and information to be accurate, but County is advised to retain appropriate consultants to review said documents and investigate the Property. County covenants and agrees that it will conduct its own due diligence on the matters contained in such Schilling LLC-provided documents and information and will rely on such documents and information at its own risk. Notwithstanding the foregoing, nothing herein limits Schilling LLC's obligation to disclose to County material conditions relating to the Property that are within the Actual Knowledge of Schilling LLC.

6.2 **County's Review of Diligence Materials, Inspections and Reports.** County must complete all of its due diligence and approve or disapprove all matters to be reviewed concerning the Property on or before the expiration of the Due Diligence Period defined hereinabove, including, without limitation the following:

(a) The physical condition of the Property, including without limitation, soil conditions, the status of the Property concerning Hazardous Substances (as defined in Section 11.1), and compliance of the Property with all applicable laws, including Environmental Laws (as defined in Section 11.1). County and/or its agents shall have reasonable access to the Property to perform necessary investigations and inspections requested by County (provided that any entry will be subject to the provisions of Section 5.5, and Articles 6 and 11 and any Environmental Assessment (as defined in Section 11.1) will be subject to the provisions of Article 11);

(b) All applicable government ordinances, rules and regulations and evidence of Schilling LLC's compliance therewith, including without limitation zoning and building regulations;

(c) All licenses, permits and other governmental approvals (including certificates of occupancy) and/or authorizations relating to the Property; and

(d) All leases, agreements (including maintenance and service agreements), contracts (including insurance policies and warranties), documents, instruments, reports (including soils and seismic reports), surveys, as-built plans and specifications, books and records relating to the Property and currently in the possession and control of Schilling LLC; and

(e) Tenant financial statements and estoppel certificates, if any, then available from tenants of the Property.

6.3 **Notice of Objections.**

(a) If County fails to notify Schilling LLC in writing of any objections to items (a) through (d) in Section 6.2 above by the end of the Due Diligence Period, County shall be deemed to have approved, or waived disapproval of, all such items, and if within five (5) business days following the end of the Due Diligence Period, the County has not executed and delivered into Escrow the Purchase Agreement in the form and content attached hereto as Exhibit "B" the Deposit shall be released to Schilling LLC, and Schilling LLC shall be released of its obligations under Article 13 below, provided Schilling LLC has executed and delivered to Escrow Holder the Purchase Agreement.

(b) If County notifies Schilling LLC in writing of any objections to the condition of the Property or any other matters relating to the Property as set forth in Section 6.2 by the end of the Due Diligence Period, the parties shall have seven (7) days after Schilling LLC's receipt of such notice to agree upon a resolution of the objection(s). If the parties cannot agree within such seven (7) day period, then either party may terminate this Agreement by written notice to the other, which notice must be given within five (5) days after the expiration of the seven (7) day period. Notwithstanding and without limiting the foregoing, during the first forty-five (45) days of the Due Diligence Period, County shall have right to cancel and terminate this Agreement and Escrow in its sole discretion without penalty for any reason or no reason upon written notice thereof to Schilling LLC and Escrow Holder; whereupon County shall be entitled to a return of its entire Deposit and any interest accrued thereon and all rights and obligations of the parties under this Agreement shall be of no further force of effect except for rights and obligations expressly surviving the termination or cancellation of this Agreement.

(c) If neither party terminates this Agreement within the five (5) day period pursuant to Section 6.3(b) above, the parties will be deemed to have waived their right to terminate this Agreement based upon due diligence objections, and if the County has not, within five (5) business days following the expiration of such five (5) day period, executed and delivered into Escrow the Purchase Agreement in the form and content attached hereto as Exhibit "B" the Deposit shall be released to Schilling Place and Schilling Place shall be released of its obligations under Article 13 below, provided Schilling LLC has executed and delivered to Escrow Holder the Purchase Agreement.

(d) In the event County elects to terminate this Agreement pursuant to the terms of this Article 6, County shall be entitled to the return of the Deposit and the parties shall have no further rights or obligations under this Agreement, except for indemnification and other obligations expressly surviving the expiration or termination of this Agreement and the Due Diligence Period.

6.4 **County's Responsibilities.** In conducting any inspections, investigations or tests of the Property, County and its agents and representatives shall: (i) not interfere with the operation and maintenance of the Property; (ii) not damage any part of the Property or any personal property thereon; (iii) not injure or otherwise cause bodily harm to Schilling LLC or its agents, guests, invitees, contractors and employees or their respective guests or invitees; (iv) comply with all applicable laws, statutes, rules and ordinances; (v) promptly pay when due the costs of all tests, investigations, and examinations done with regard to the Property; (vi) not permit any liens to attach to the Property by reason of the exercise of its rights hereunder; (vii) repair any damage to the Property resulting directly or indirectly from any such inspection or tests; and (viii) not reveal or disclose prior to Closing any information obtained by County prior to Closing concerning the Property to anyone without Schilling LLC's consent, except as permitted in accordance with the confidentiality standards above, or except as may be otherwise required by law.

6.5 **County's Agreement to Indemnify Re Property Inspections.** County shall indemnify, protect, defend and hold Schilling LLC, its affiliates and its property manager and lender (if any), and their respective partners, members, managers, shareholders, directors, officers, employees, agents, representatives, guarantors, insurers, attorneys, successors and assigns ("Schilling LLC Parties"), harmless from and against any and all liens, claims, causes of action, damages, liabilities and expenses (including reasonable attorneys' and expert witnesses' fees) arising out of County's inspections or tests of the Property or any violation by County, or County's consultants, agents, contractors or representatives, of the provisions of the Agreement; provided, however, the indemnity shall not extend to protect Schilling LLC Parties from the gross negligence or willful misconduct of Schilling LLC Parties or from any pre-existing liabilities for matters merely discovered by County (e.g., latent defects or environmental contamination) so long as County's actions do not aggravate any pre-existing liability of Schilling LLC. County's obligations under this Section 6.5 shall survive the termination of the Agreement and shall survive the Closing.

7. **County's Entry Onto Property.**

County and County's representatives, agents and designees will have the right, at reasonable times and upon reasonable notice to Schilling LLC (which notice must describe the scope of the planned testing and investigations) to enter upon the Property, in connection with its purchase of the Property. However, County agrees that:

- (a) all tests will be at County's sole cost and expense;
- (b) the persons or entities performing such tests will be properly licensed and qualified and will have obtained all appropriate permits for performing such tests;
- (c) Schilling LLC will have the right, in its reasonable discretion, to approve County's work plan for any proposed physical testing or drilling on or beneath the Property ("**Phase II Testing Plan**"). For purposes of this Section 7(c), the term "reasonable discretion" shall include, but not be limited to, Schilling LLC's right to withhold approval due to the potential liability of Schilling LLC or the cost or inconvenience to Schilling LLC or its tenants as a result of the proposed work performed under Phase II Testing Plan; however, Schilling LLC's approval shall not be unreasonably withheld or delayed. If Schilling LLC disapproves of County's Phase II Testing Plan, County shall have the right to revise its Phase II Testing Plan once and submit such a revised plan to Schilling LLC for Schilling LLC's approval thereof in accordance with this Section 7(c), such approval not to be unreasonably withheld or delayed. Schilling LLC's disapproval of the Phase II Testing Plan or the revised version of such plan, if any, shall not be deemed a default of Schilling LLC under this Agreement. If Schilling LLC disapproves of the Phase II Testing Plan or the revised version of such plan, if any, County will have the option to cancel the Escrow by providing written notice to Schilling LLC, in which case County shall be entitled to a return of the Deposit together with all interest earned thereon in Escrow and County and Schilling LLC shall each pay fifty percent (50%) of any cancellation costs incurred as a result of the cancellation of this Agreement;
- (d) County will advise Schilling LLC in advance of the dates of all tests and will schedule all tests during normal business hours whenever feasible unless otherwise requested by Schilling LLC;
- (e) Schilling LLC will have the right to have a representative of Schilling LLC accompany County and County's representatives, agents or designees while they are on the Property;
- (f) any entry by County, its representative, agents or designees will not materially interfere with Schilling LLC's or any tenant's use of the Property;
- (g) County will indemnify, defend and hold Schilling LLC Parties harmless as provided in Section 6.5 above;
- (h) County will restore the Property at County's sole cost and expense. Until restoration is complete, County will take all steps necessary to ensure that any conditions on the Property created by County's testing will not materially interfere with the normal operation of the Property or create any dangerous, unhealthy, unsightly or noisy conditions on the Property; and

In addition, prior to any entry involving physical testing, drilling or other physical disturbance, County shall provide Schilling LLC with proof of commercial general liability insurance covering County or its consultant or contractor performing the work as named insured, which insurance shall include, but not be limited to, completed operations and broad form property damage coverage and which shall cover Schilling LLC as an additional insured. Schilling LLC may also require County or its consultant or contractor performing the work to obtain pollution liability insurance which shall include, but not be limited to, specific coverage for removal, remediation, cleanup and disposal of hazardous or nonhazardous materials. The insurers and the amounts and coverages of such policies shall be reasonably satisfactory to Schilling LLC. Such insurance shall not be cancelable except after thirty (30) days' prior written notice to Schilling LLC (except that only ten (10) days' prior written notice shall be required in the event of a cancellation of the policy due to non-payment of premium). This provision will survive the Closing or any earlier termination of this Agreement.

8. **Joint Representations and Warranties.**

In addition to any express agreements of the parties contained herein, the following constitute representations and warranties of the parties each to the other, each of which shall survive the termination of this Agreement for a period of twelve (12) months; provided that any claims must be made within that twelve (12) month period.

8.1 **Power and Authority.** Each party has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate this transaction.

8.2 **No Further Action.** All requisite action (corporate, trust, partnership or otherwise) has been taken by each party in connection with the entering into of this Agreement, the instruments referenced herein, and the consummation of this transaction, unless otherwise notified in writing by either party to the other on or before the mutual execution and delivery of this Agreement into Escrow, that a final approval from the respective board of directors or otherwise is required by either party. No further consent of any partner, shareholder, creditor, investor, judicial or administrative body, governmental authority or other party is required.

8.3 **Authority of Individuals.** The individuals executing this Agreement and the instruments referenced herein on behalf of each party and the partners, managers, officers or trustees of each party, if any, have the legal power, right, and actual authority to bind each party to the terms and conditions of those documents.

8.4 **Enforceable Agreements.** This Agreement and all other documents required to close this transaction are and will be valid, legally binding obligations of and enforceable against each party in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally.

9. **Schilling LLC's Warranties and Representations.**

Schilling LLC makes the following representations, covenants and warranties and acknowledges that County will rely on such representations, covenants, and warranties in acquiring the Property, each of which shall survive the Closing for a period of twelve (12) months; provided that any claims must be made within that twelve (12) month period.

9.1 **No Leases.** Schilling LLC has not entered into any lease or other agreement for possession with any person or entity pursuant to which such person or entity has any current or future right or interest to occupy, possess or use all or any portion of the Property, except for the Capital One Leases.

9.2 **Compliance With Laws.** To the Actual Knowledge of Schilling LLC, and except as may have been disclosed to County in writing, Schilling LLC has not received written notice alleging any violations of law, municipal or county ordinances, or other legal requirements with respect to the Property or any portion thereof which have not heretofore been corrected.

9.3 **Not Foreign Person.** Schilling LLC is not a "foreign person" within the meaning of Section 1445(f) (3) of the Internal Revenue Code.

9.4 **No Conveyances.** Without the prior written consent of County, which will not be unreasonably delayed, Schilling LLC will not convey any interest in the Property, and Schilling LLC will not subject the Property to any additional liens, encumbrances, covenants, conditions, easements, rights of way or similar matters after the date of this Agreement, except as may be otherwise provided for in this Agreement, which will not be eliminated prior to the Close of Escrow.

9.5 **No Litigation.** Schilling LLC has not been served in any pending litigation directly affecting the Property, and to the Actual Knowledge of Schilling LLC no such litigation has been threatened in writing, except as disclosed to County.

9.6 **No Violations.** As of the date of this Agreement and of the Closing, to the Actual Knowledge of Schilling LLC, Schilling LLC has not been served by any governmental authority with written notice that the Property is in violation of any applicable law, except as disclosed to County.

9.7 **No Demand.** To the Actual Knowledge of Schilling LLC, Schilling LLC has not received any written demand for performance from any person who has signed a letter of intent or any agreement (if any) with

respect to the purchase and sale of the Property, except as disclosed to County, and to the Actual Knowledge of Schilling LLC, none has been threatened..

9.8 **Environmental.** To the Actual Knowledge of Schilling LLC, and except as otherwise disclosed in any Environmental Assessment (as defined in Section 11.1(b) below) performed by County or as otherwise expressly disclosed to County in the Due Diligence Materials,

(a) no Hazardous Substances are now or have been used or stored on any portion of the Property since the date of Schilling LLC's acquisition of the Property, except those substances which are or have been used or stored on the Property in the normal course of use and operation of the Property, and Schilling LLC has no Actual Knowledge of any noncompliance with or violation of any applicable Environmental Law in connection with such use or storage;

(b) there are and have been no federal, state, or local enforcement, cleanup, removal, remedial or other governmental or regulatory actions instituted or completed affecting the Property since the date of Schilling LLC's acquisition of the Property;

(c) Schilling LLC is aware of no claims having been made or threatened by any third party against Schilling LLC relating to or alleging any Hazardous Substances on or within the Property in violation of Environmental Laws; and

(d) to Schilling LLC's actual knowledge there are two (2) underground storage tanks ("USTs") located in the Land, as further disclosed, described and explained in the Due Diligence Materials to be provided to County in accordance with this Agreement (and Schilling LLC makes no other representations or warranties whatsoever concerning these USTs, and County hereby expressly waives all claims, causes of actions, and liabilities against Schilling LLC concerning such USTs).

9.9 **Specially Designated Nationals.** Neither Schilling LLC nor any beneficial owner of Schilling LLC (i) is listed on any of the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 133224, 66 Fed. Reg. 49079 (the "Order") or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or any other similar agency (such lists are collectively referred to as the "Lists"); (ii) is a person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or (iii) is owned or controlled by, or acts for on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

10. **Intentionally Omitted.**

11. **Environmental Assessment.**

11.1 **Definitions.** For the purposes of this Agreement, the following terms have the following meanings:

(a) "Environmental Laws" means any federal, state and local laws and regulations, judgments, orders and permits governing safety and health and the protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq., as amended (CERCLA), the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq., as amended, (RCRA), the Clean Water Act, 33 U.S.C. 1251 et seq., the Clean Air Act, 42 U.S.C. 7401 et seq., the Toxic Substance Control Act, 15 U.S.C. 2601 et seq., and the Safe Drinking Water Act, 42 U.S.C. 300f through 300j.

(b) "Environmental Assessment" means an environmental assessment, review or testing of the Property performed by County or any third party or consultant engaged by County to conduct such study.

(c) "Hazardous Substances" means any substance which is toxic, ignitable, reactive, or corrosive or which otherwise is regulated by or under Environmental Laws including, without limitation, any and all materials or substances that are defined as "hazardous waste", "extremely hazardous waste" or a "hazardous substance" pursuant to state, federal or local law, and asbestos, polychlorinated biphenyls ("PCBs"), petroleum products, and mold.

11.2 **Environmental Assessment.** If, during the Due Diligence Period, County elects to perform an Environmental Assessment:

(a) The Environmental Assessment shall be conducted pursuant to standard quality control/quality assurance procedures and in accordance with Section 6.5 and Article 7. County shall give Schilling LLC at least two (2) Business Days' prior notice of any on-site testing of soil or subsurface conditions.

(b) If any report is prepared as the result of the Environmental Assessment, such report shall be conspicuously labeled as a draft, and County shall promptly give Schilling LLC a copy of the draft report for Schilling LLC's review and comments before the report is finalized. Prior to the Closing, County shall keep the draft or final report and the information contained therein confidential and shall not disclose it to any person or entity without Schilling LLC's prior written consent; provided, however, that County may furnish a copy of said draft or final report to any proposed lender in connection with prosecution of an application for a mortgage loan and to any person or entity contemplating an investment in the Property as a partner or permitted assignee of County, or to any consultant engaged in, or commenting upon the results of, said draft or final report subject to compliance with the provisions of Section 5.1(b).

(c) If County elects during the Due Diligence Period not to acquire the Property or if the Closing fails to occur for any reason other than a default by Schilling LLC, then, provided Schilling LLC pays County's actual out-of-pocket expenses related to the same, County shall deliver all originals and copies of the draft and final report to, and they shall become the property of, Schilling LLC, and County shall not disclose to any party the contents of the draft or final report except pursuant to valid legal process or with the written consent of Schilling LLC.

(d) Any ground water, soil or other samples taken from the Property by or on behalf of County will be properly disposed of by County, as the generator of the material, at County's sole cost and in accordance with all applicable laws including Environmental Laws.

11.3 **Mutual Indemnifications.**

(a) Subject to Section 11.3(d) below, if there are any third party claims against County which arise out of any release of any Hazardous Substances which became located in, on or under the Property during Schilling LLC's ownership of the Property, Schilling LLC will indemnify, defend (by counsel reasonably acceptable to County), protect and hold County harmless for, from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) arising therefrom in any amount not to exceed the Purchase Price of the Property.

(b) If there are any third party claims against Schilling LLC which arise out of any release of any Hazardous Substances which became located in, on or under the Property after the Closing, County will indemnify, defend (by counsel reasonably acceptable to Schilling LLC), protect and hold Schilling LLC Parties harmless for, from and against any and all claims, liabilities, penalties, forfeitures, losses or expenses (including attorneys' fees) arising therefrom.

(c) As used in this Section 11.3, "third party claims" are defined as any claims or rights of recovery by any person or entity (including governmental agencies):

- (1) which result from injury, damage or loss to or of any person or property; or
- (2) for cost recovery, removal or remedial action.

Third party claims will also include any costs paid or payable by either party for damage, loss, injury, investigation, removal, remediation or other liability in response to any third party claim or in anticipation of any enforcement or remedial action undertaken or threatened by any government agency or private party.

(d) Nothing in this Section 11.3 is meant to diminish any party's rights or obligations under any Environmental Laws, but Schilling LLC will not be liable to County under this Agreement, and County hereby (i) releases Schilling LLC Parties from any and all liability under any such law, and (ii) indemnifies Schilling LLC Parties from and against any third party claims which are attributable to any environmental condition which:

- (1) was specifically described in any Phase I Report or in any Environmental Assessment obtained by County;
- (2) was reasonably discoverable by prudent investigation during the Due Diligence Periods; or
- (3) was otherwise disclosed by Schilling LLC to County or discovered by County at any time prior to the Closing.

(e) The provisions of this Section 11.3 will survive the Close of Escrow

12. Notices.

All notices, approvals, consents and other communications required or permitted hereunder must be in writing, and be personally delivered, sent by nationally-recognized overnight courier (such as Federal Express), or sent by registered or certified mail, postage prepaid, return receipt requested to the addresses set forth in Article 1, or sent by electronic mail to the addresses set forth in Article 1; provided, however, if notice is sent by electronic mail a copy shall be sent by registered or certified mail or nationally-recognized overnight courier on the same day. All notices sent by mail will be deemed received three (3) Business Days after the date of mailing, as aforesaid. All notices sent by electronic mail shall be deemed received upon the sender's receipt of a written confirmation of receipt from the recipient during business hours, otherwise the following business day, provided a copy is also sent by registered to certified mail or nationally-recognized overnight courier as set forth above.

13. No Offers.

During the Due Diligence Period, or until the date on which County has terminated this Agreement, if earlier, Schilling LLC may not make or accept any offers to sell the Property to a third party, except that Schilling LLC may accept back-up offers for the purchase of the Property, which offers shall be effective only if County terminates this Agreement or fails to enter into the Purchase Agreement at the end of the Due Diligence Period.

14. Miscellaneous.

14.1 Counterparts. This Agreement may be executed in one or more counterparts, and each set of duly delivered identical counterparts which includes all signatories shall be deemed to be one original document.

14.2 Partial Invalidity. If any term or provision of this Agreement shall be deemed to be invalid or unenforceable to any extent, the remainder of this Agreement will not be affected thereby, and each remaining term and provision of this Agreement will be valid and be enforced to the fullest extent permitted by law.

14.3 Waivers. No waiver of any breach of any covenant or provision contained herein will be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provisions contained herein. No extension of time for performance of any obligation or act will be deemed an extension of the time for performance of any other obligation or act except those of the waiving party, which will be extended by a period of time equal to the period of the delay.

14.4 **Successors and Assigns.** This Agreement is binding upon and inures to the benefit of the permitted successors and assigns of the parties hereto.

14.5 **Professional Fees.** If any action be commenced (including an appeal thereof) to enforce any of the provisions of this Agreement or to enforce a judgment, whether or not such action is prosecuted to judgment ("Action"), (a) the unsuccessful party therein shall pay all costs incurred by the prevailing party therein, including reasonable attorneys' and consultants' fees and costs, court costs and reimbursements for any other expenses incurred in connection therewith, and (b) as a separate right, severable from any other rights set forth in this Agreement, the prevailing party therein shall be entitled to recover its reasonable attorneys' and consultants' fees and costs incurred in enforcing any judgment against the unsuccessful party therein, which right to recover post-judgment attorneys' and consultants' fees and costs shall be included in any such judgment. The right to recover post-judgment attorneys' and consultants' fees and costs shall (1) not be deemed waived if not included in any judgment, (2) survive the final judgment in any Action, and (3) not be deemed merged into such judgment. The rights and obligations of the parties under this Section 14.5 shall survive the termination of this Agreement.

14.6 **Entire Agreement.** This Agreement (including all Exhibits attached hereto) constitutes the entire contract between the parties hereto and may not be modified except by an instrument in writing signed by the party to be charged.

14.7 **Time of Essence.** Schilling LLC and County hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof. If the Closing has not occurred by the Closing Date for any reason other than a default of Schilling LLC, Schilling LLC may immediately terminate this Agreement.

14.8 **Construction.** This Agreement has been prepared by Schilling LLC and its professional advisors and reviewed by County and its professional advisors. Schilling LLC and County and their respective advisors believe that this Agreement is the product of all of their efforts, that it expresses their agreement and that it should not be interpreted in favor of or against either County or Schilling LLC. The parties further agree that this Agreement will be construed to effectuate the normal and reasonable expectations of a sophisticated Schilling LLC and County. The words "County" and "Schilling LLC" as used herein shall include the plural as well as the singular. Words used in any gender include other genders. The Section headings of this Agreement are not a part of this Agreement and shall have no effect upon the construction or interpretation of any part hereof. Any deletion of language from this Agreement prior to its execution by the parties shall not be construed to raise any presumption, canon of construction or implication, including, without limitation, any implication that the parties intended thereby to state the converse of the deleted language. The words "include" or "including" or the like shall be construed as if followed by the words "without limitation".

14.9 **Governing Law.** This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

14.10 **Reference.** ANY CLAIMS OR DISPUTES ARISING OUT OF, OR RELATING TO THIS AGREEMENT SHALL BE RESOLVED PURSUANT TO A JUDICIAL REFERENCE PROCEEDING PURSUANT TO THE PROVISIONS OF CALIFORNIA CODE OF CIVIL PROCEDURE §§638 THROUGH 645.1, INCLUSIVE, AS MODIFIED BY THE FOLLOWING PROCEDURES AND ANY SUBSEQUENT PROVISIONS MUTUALLY AGREED UPON BY THE PARTIES, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED HEREIN. ANY VARIATIONS FROM THE STATUTORY REFERENCE PROCEDURES SET FORTH HEREIN OR HEREAFTER MUTUALLY AGREED UPON BY THE PARTIES IN WRITING SHALL BE DEEMED TO BE A STIPULATION BY THE PARTIES TO SUCH REVISED PROCEDURES.

(a) The parties shall agree upon a single referee who shall be a retired judge who served at least five (5) years in the Courts of the State of California. Such referee shall then try all issues, whether of fact or law. If the parties are unable to agree upon a referee within ten (10) days after a written request by any party, then any party may seek appointment of a referee pursuant to California Code of Civil Procedure §§638 and 640. The Presiding Judge of the Superior Court of the Monterey ("Court") shall appoint only one referee. The referee shall NOT have the right to convene a jury.

(b) The referee shall have the power to decide all issues of fact and law and report his/her decision thereon, and to issue all legal and equitable relief appropriate under the circumstances before him/her; however, that to the extent the referee is unable to issue and/or enforce any such legal and equitable relief, either party may petition the Court to issue and/or enforce such relief on the basis of the referee's decision.

(c) Discovery shall be afforded to the parties in accordance with Code of Civil Procedure §§2016 et. seq. except that within thirty (30) days after the appointment of the referee, each party shall serve on each other party all documents relevant to the dispute and all documents then in its possession and control that the party intends to offer as evidence during the reference proceeding, and, notwithstanding any applicable laws to the contrary, each party shall be entitled to take a maximum of one (1) discovery deposition of each other party and three (3) non-party depositions and to propound a maximum of only 25 special interrogatories pursuant to Code of Civil Procedure §2030. Within sixty (60) days after appointment of the referee, each of the parties shall provide to the referee and to all other parties, a list of expert witnesses who will provide opinion testimony. The parties shall be entitled to depose any designated expert prior to the commencement of the hearing. The referee shall resolve any discovery disputes.

(d) Except as expressly provided herein to the contrary, the California Evidence Code rules of evidence, the California Code of Civil Procedure and the California Rules of Court shall apply to the conduct of the hearing, examination of witnesses and presentation of evidence at the trial; however, the parties may agree, or the referee may order them, to follow informal procedures for the resolution of pretrial motions and discovery disputes. The referee will schedule the reference hearing for consecutive dates, except for weekends and holidays and the hearing must commence within ninety (90) days after appointment of the referee and shall not exceed three (3) days in length without the approval of all parties. Any party desiring a stenographic record of the trial may secure a court reporter to attend the trial; provided, the requesting party notifies the other parties of the request and pays for the costs incurred for the court reporter.

(e) The referee shall report a finding and judgment, including a written statement of decision which shall be reported to the court in accordance with California Code of Civil Procedure §643 and mailed promptly to the parties within twenty (20) days after the close of testimony. Judgment may be entered on the decision of the referee in accordance with California Code of Civil Procedure §644, and the decision may be excepted to, challenged and appealed according to law.

(f) The parties shall promptly and diligently cooperate with one another and the referee, and shall perform such acts as may be necessary to obtain a prompt and expeditious resolution of the dispute or controversy in accordance with the terms hereof.

(g) The cost of such reference proceeding, including but not limited to the referee's fees, shall initially be borne equally by the parties to the dispute or controversy. However, the prevailing party in such proceeding shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference and its reasonable attorneys' fees as items of recoverable costs.

(h) The referee (or the Court, if no referee has been appointed) will resolve all disputes concerning the interpretation of this Section, its application to disputes or procedures not specifically described herein, or the referee's powers. If any portion of this Section is declared unenforceable or becomes unenforceable because of changes in the law, the remainder of its provisions will remain fully effective. If the reference procedures of California Code of Civil Procedure Section §638 are no longer available when a dispute arises, the parties will not be obligated to pursue other forms of alternative dispute resolution but may seek relief in the Court to the same extent as if they had not entered into a reference agreement.

(i) Notwithstanding anything contrary in the foregoing, the following are expressly excluded from the reference procedures provided herein: claims, disputes, matters, proceedings and/or actions (i) relating to this Agreement for which a different or particular manner of resolution or determination is specifically set forth elsewhere in this Agreement; (ii) unrelated to this Agreement or the Property; (iii) within the jurisdiction of a probate, small claims, or bankruptcy court; (iv), and relating to orders of attachment, receivership, injunction, or other provisional remedies.

(j) BOTH PARTIES HEREBY WAIVE A JURY TRIAL OR PROCEEDING IN CONNECTION WITH ANY DISPUTE ARISING OUT OF THIS AGREEMENT, TO THE FULLEST EXTENT PERMITTED UNDER LAW.

14.11 **Confidentiality.** Without limiting County's obligations pursuant to Section 5.1(b), unless otherwise agreed to in writing by Schilling LLC and County, each party will keep confidential all documents, financial statements, reports or other information provided to, or generated by the other party relating to the Property and will not disclose any such information to any person other than (i) those employed by Schilling LLC or County; (ii) those who are actively and directly participating in the evaluation of the Property and the negotiation and execution of this Agreement or financing of the purchase of the Property; (iii) governmental, administrative, regulatory or judicial authorities in the investigation of the compliance of the Property with applicable legal requirements; and (iv) those persons to whom disclosures are required by applicable law, provided that the scope of such required disclosures does not exceed that required by such applicable law. However, County expressly covenants and agrees that, except as required by law, it will not disclose any code compliance, environmental or other regulatory matters to governmental or other authorities without the express prior written approval by Schilling LLC. The provisions of this Section 14.10 will survive the termination of this Agreement other than by Closing.

14.12 **Wear and Tear.** County specifically acknowledges that Schilling LLC will continue to use the Property in the course of its business and accepts the fact that reasonable wear and tear will occur after the date of this Agreement. County specifically agrees that Schilling LLC is not responsible for repairing such reasonable wear and tear and that County is prohibited from raising such wear and tear as a reason for not consummating this transaction or for requesting a reduction in the Purchase Price.

14.13 **No Recordation.** No memorandum or other document relating to this Agreement shall be recorded.

14.14 **Survival.** The obligations and indemnifications contained in Articles 10 and 11 shall survive the expiration or termination of this Agreement and the Due Diligence Period (and the Closing under the Purchase Agreement, if applicable).

[Signatures on Following Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year hereinabove written.

"SCHILLING LLC"

SCHILLING PLACE PROPERTY, LLC,
a California limited liability company

By: [Signature]
Name: Barbara Brandlia Hines
Title: President & CEO

SCHILLING PLACE QC, LLC,
a California limited liability company

By: [Signature]
Name: Barbara Brandlia Hines
Title: President & CEO

"COUNTY"

COUNTY OF MONTEREY, CALIFORNIA,
a political subdivision of the State of California

SIGNED IN
By: _____
Name: COUNTERPART
Title: _____

APPROVED AS TO FORM:

CHARLES J. MCKEE, County Counsel

SIGNED IN
By: _____
Leslie J. Girard
Chief Assistant County Counsel

The undersigned hereby accepts this Agreement as its escrow instructions and agrees to act as Escrow Holder hereunder, in accordance with the terms and conditions hereof.

FIRST AMERICAN TITLE INSURANCE COMPANY

By: [Signature]
Name: ALEXANDER M. WOOD
Title: Escrow Officer
Date: 6-17, 2014

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year hereinabove written.

"SCHILLING LLC"

SCHILLING PLACE PROPERTY, LLC,
a California limited liability company

**SIGNED IN
COUNTERPART**

By: _____
Name: _____
Title: _____

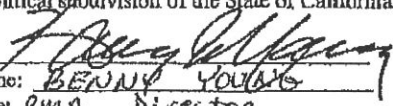
SCHILLING PLACE QC, LLC,
a California limited liability company

**SIGNED IN
COUNTERPART**

By: _____
Name: _____
Title: _____

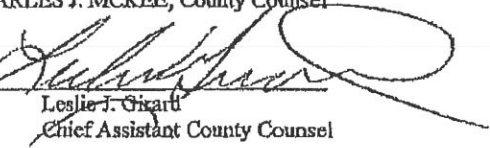
"COUNTY"

COUNTY OF MONTEREY, CALIFORNIA,
a political subdivision of the State of California

By: 
Name: BENNY YOUNG
Title: RMA Director

APPROVED AS TO FORM:

CHARLES J. MCKEE, County Counsel

By: 
Leslie J. Girard
Chief Assistant County Counsel

The undersigned hereby accepts this Agreement as its escrow instructions and agrees to act as Escrow Holder hereunder, in accordance with the terms and conditions hereof.

**FIRST AMERICAN TITLE INSURANCE COMPANY
SIGNED IN**

By: **COUNTERPART**
Name: _____
Title: _____
Date: _____, 2014

TABLE OF CONTENTS

	<u>Page</u>
1. Definitions	1
2. Deposit.....	4
3. Capital One Lease Buyout.....	4
4. Due Diligence Costs and Expenses	5
5. County Conditions Precedent to Purchase Agreement.....	5
6. County's Due Diligence	7
6.1 Schilling LLC's Delivery of Diligence Materials	7
6.2 County's Review of Diligence Materials, Inspections and Reports.....	7
6.3 Notice of Objections	7
6.4 County's Responsibilities	8
6.5 County's Agreement to Indemnify Re Property Inspections.....	8
7. County's Entry Onto Property.....	8
8. Joint Representations and Warranties	9
8.1 Power and Authority.....	10
8.2 No Further Action.....	10
8.3 Authority of Individuals	10
8.4 Enforceable Agreements.....	10
9. Schilling LLC's Warranties and Representations	10
9.1 No Leases	10
9.2 Compliance With Laws	10
9.3 Not Foreign Person.....	10
9.4 No Conveyances	10
9.5 No Litigation	10
9.6 No Violations.....	10
9.7 No Demand.....	10
9.8 Environmental	11
9.9 Specially Designated Nationals.....	11
10. Intentionally Omitted.....	11
11. Environmental Assessment	11
11.1 Definitions	11

TABLE OF CONTENTS
(continued)

	<u>Page</u>
11.2 Environmental Assessment	12
11.3 Mutual Indemnifications	12
12. Notices	13
13. No Offers	13
14. Miscellaneous	13
14.1 Counterparts	13
14.2 Partial Invalidity	13
14.3 Waivers	13
14.4 Successors and Assigns	14
14.5 Professional Fees	14
14.6 Entire Agreement.....	14
14.7 Time of Essence.....	14
14.8 Construction	14
14.9 Governing Law	14
14.10 Reference	14
14.11 Confidentiality	16
14.12 Wear and Tear	16
14.13 No Recordation.....	16
14.14 Survival.....	16

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

REAL PROPERTY IN THE CITY OF SALINAS, COUNTY OF MONTEREY, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL I:

PARCEL A, IN THE CITY OF SALINAS, COUNTY OF MONTEREY, STATE OF CALIFORNIA, AS SHOWN ON THAT MAP FILED FEBRUARY 14, 1989 IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY IN VOLUME 17 OF PARCEL MAPS AT PAGE 164.

PARCEL II:

CERTAIN REAL PROPERTY SITUATE IN THE RANCHO LLANO DE BUENA VISTA, CITY OF SALINAS, MONTEREY COUNTY, CALIFORNIA, BEING A PORTION OF EDEN STREET AND PARCEL "A" AS SHOWN ON MAP OF TRACT NO. 896, EDEN INDUSTRIAL PARK, RECORDED IN VOLUME 14 OF CITIES AND TOWNS AT PAGE 31, RECORDS OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE EASTERLY LINE OF EDEN STREET, A 64 FOOT WIDE CITY STREET, SAID POINT BEING ALSO ON THE WESTERLY LINE OF CALIFORNIA STATE HIGHWAY ROUTE US 101, AT A FOUND CONCRETE MONUMENT AS SHOWN ON SAID MAP; THENCE ALONG SAID LINE

- 1) SOUTH $24^{\circ} 47' 38''$ EAST, 905.00 FEET TO THE MOST NORTHERLY CORNER OF PARCEL A AS SHOWN ON SAID MAP; THENCE LEAVE SAID HIGHWAY LINE AND CONTINUE ALONG SAID STREET LINE, TANGENTIALLY
- 2) CURVING TO THE RIGHT ON A CIRCULAR ARC OF 139 FOOT RADIUS THROUGH AN ANGLE OF $22^{\circ} 59' 56''$ FOR A DISTANCE OF 55.80 FEET; THENCE LEAVE SAID STREET LINE
- 3) CURVING TO THE LEFT ON A CIRCULAR ARC OF 55 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS SOUTH $28^{\circ} 15' 06''$ WEST) THROUGH AN ANGLE OF $71^{\circ} 59' 20''$ FOR A DISTANCE OF 69.10 FEET TO A POINT ON THE WESTERLY LINE OF SAID STREET; THENCE ALONG SAID WESTERLY LINE
- 4) CURVING TO THE LEFT ON A CIRCULAR ARC OF 75 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS NORTH $86^{\circ} 40' 14''$ WEST) THROUGH AN ANGLE OF $28^{\circ} 07' 24''$ FOR A DISTANCE OF 36.81 FEET; THENCE TANGENTIALLY
- 5) NORTH $24^{\circ} 47' 38''$ WEST, 905.00 FEET; THENCE TANGENTIALLY

6) CURVING TO THE LEFT ON A CIRCULAR ARC OF 100 FOOT RADIUS THROUGH AN ANGLE OF 39° 20' 30" FOR A DISTANCE OF 68.66 FEET; THENCE LEAVE SAID WESTERLY LINE

7) CURVING TO THE LEFT ON A CIRCULAR ARC OF 55 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS NORTH 70° 06' 18" WEST) THROUGH AN ANGLE OF 114° 09' 11" FOR A DISTANCE OF 109.58 FEET TO A POINT ON THE EASTERLY LINE OF SAID STREET; THENCE ALONG SAID LINE

8) CURVING TO THE RIGHT ON A CIRCULAR ARC OF 164 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS SOUTH 4° 15' 29" EAST) THROUGH AN ANGLE OF 69° 27' 51" FOR A DISTANCE OF 198.83 FEET TO THE POINT OF BEGINNING.

PARCEL III:

CERTAIN REAL PROPERTY SITUATE IN THE RANCHO LLANO DE BUENA VISTA, CITY OF SALINAS, MONTEREY COUNTY, CALIFORNIA, BEING A PORTION OF EDEN STREET AND PARCEL "A" AS SHOWN ON MAP OF TRACT NO. 896, EDEN INDUSTRIAL PARK, RECORDED IN VOLUME 14 OF CITIES AND TOWNS AT PAGE 31, RECORDS OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST NORTHERLY CORNER OF PARCEL A AS SHOWN ON SAID MAP; THENCE ALONG THE EASTERLY BOUNDARY THEREOF AND THE WESTERLY LINE OF CALIFORNIA STATE HIGHWAY ROUTE US 101

1) SOUTH 24° 47' 38" EAST, 87.37 FEET TO A POINT; THENCE LEAVE SAID BOUNDARY AND HIGHWAY LINE,

2) CURVING TO THE LEFT ON A CIRCULAR ARC OF 55 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS SOUTH 65° 12' 22" WEST) THROUGH AN ANGLE OF 36° 57' 16" FOR A DISTANCE OF 35.47 FEET TO A POINT ON THE EASTERLY LINE OF EDEN STREET; THENCE ALONG SAID LINE

3) CURVING TO THE LEFT ON A CIRCULAR ARC OF 139 FOOT RADIUS (THE CENTER OF THE CIRCLE OF WHICH SAID ARC IS A PART BEARS SOUTH 88° 12' 18" WEST) THROUGH AN ANGLE OF 22° 59' 56" FOR A DISTANCE OF 55.30 FEET TO THE POINT BEGINNING.

PARCEL IV:

LOTS 10 AND 11 OF TRACT 896, EDEN INDUSTRIAL PARK, IN THE CITY OF SALINAS, COUNTY OF MONTEREY, STATE OF CALIFORNIA, FILED JULY 30, 1980 IN BOOK 14 OF CITIES AND TOWNS, PAGE 31 OFFICIAL RECORDS OF MONTEREY COUNTY, CALIFORNIA.

PARCEL V:

LOTS 7, 8 AND 9 AS SHOWN ON THE MAP ENTITLED TRACT 896, EDEN INDUSTRIAL PARK, IN THE CITY OF SALINAS, COUNTY OF MONTEREY, STATE OF CALIFORNIA, ACCORDING TO THE MAP FILED JULY 30, 1980 IN BOOK 14, PAGE 31 OF MAPS OF CITIES AND TOWNS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY CERTIFICATE OF COMPLIANCE RECORDED MAY 9, 2003, INSTRUMENT NO. 2003053999, OF OFFICIAL RECORDS. EXCEPTING THEREFROM ANY AND ALL WATER, BUT WITHOUT THE RIGHT OF ENTRY OR TO MAKE ANY WITHDRAWAL OF WATER WHICH WILL RESULT IN DAMAGE TO ANY BUILDING OR STRUCTURE, AS GRANTED IN THE DEED TO CALIFORNIA WATER SERVICE COMPANY, RECORDED OCTOBER 21, 1980, IN BOOK 1441 OF REELS, PAGE 576, OFFICIAL RECORDS.

APN'S:

- 177-181-014-000 (Affects: Lot 7 of Parcel V)
- 177-181-015-000 (Affects: Lot 8 of Parcel V)
- 177-181-016-000 (Affects: Lot 9 of Parcel V)
- 177-181-017-000 (Affects: 10 of Parcel IV)
- 177-181-018-000 (Affects: 11 of Parcel IV)
- 177-181-024-000 (Affects: Parcel I-III)
- 177-181-020-000 (Easement Parcel, .014 acres+/-)
- 177-134-003-000 (Pie Shaped Parcel, 3.12 acres+/-)

County

San

Schilling, LLC

kh

EXHIBIT "B"

FORM OF PURCHASE AGREEMENT

[See Attached]