

August 23, 2019

Kellee Fritzel  
Deputy Director  
**Office of Business Development**  
2000 Main Street, 5<sup>th</sup> Floor  
Huntington Beach, CA 92648

**RE: LETTER OF UNDERSTANDING TO PURCHASE  
15311-15323 PIPELINE LANE  
HUNTINGTON BEACH, CA 92649**

Kellee:

Lee & Associates, Newport Beach has been authorized by Steve Chalabian and Jackie Jernigan and/or permitted assignee, to submit this proposal outlining the preliminary terms and conditions for the purchase/sale of the above-mentioned property. Please note the terms presented below are intended for discussion purposes only, are non-binding, and may be amended or withdrawn at any time.

- 1. PROPERTY:** A multi-tenant industrial building approximately 11,200 square feet located at 15311-15323 Pipeline Lane, Huntington Beach.
- 2. PURCHASE PRICE:** Two Million Seven Hundred and Forty-Four Thousand Dollars (\$2,744,000.00) at close of escrow:
- 3. DEPOSITS:** Buyer to deposit One Hundred Thousand and 00/100 Dollars (\$100,000.00) upon opening of escrow. By 5:00 p.m. local time on the thirtieth (30<sup>th</sup>) calendar day after opening of escrow, the deposit will become non-refundable upon buyer waiving all contingencies on the 30<sup>th</sup> calendar day. Should Buyer choose not to proceed prior to 5:00 p.m. local time on the thirtieth (30<sup>th</sup>) calendar day, Buyer may cancel escrow at Buyer's sole and absolute discretion and it shall provide unilateral instructions to Escrow Holder, where upon escrow shall be canceled and the deposit and any other funds or instruments deposited into escrow by Buyers shall be promptly returned to Buyer, and neither party shall have any further right, liability or obligation with respect to the purchase and sale of the property of escrow, which shall be held in an interest-bearing account during the due diligence period.

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- 4. OPENING OF ESCROW:** Upon mutual acceptance of this letter, Seller shall draft a Purchase and Sale Agreement/Escrow Instructions incorporating the terms of this Letter. Escrow shall be deemed open when the following has been completed:
- A. A mutually executed Purchase and Sale Agreement/Escrow Instructions (the "Purchase Agreement") has been deposited into escrow.
  - B. Buyer has placed Initial Deposit into escrow, as defined above.
- 5. TITLE/ESCROW:** Title and Escrow shall be handled by First American Title (Kim Cosenza) and Trans-National Escrow (Diana Wood). Seller shall provide a Standard Owners Policy of Title Insurance (CLTA) for the property, and Buyer shall have the option to pay for the incremental upgrade from a standard policy to the extended policy coverage. All other fees, as customary, shall be split equally between the Seller and the Buyer.
- 6. CLOSE OF ESCROW:** Escrow shall close fifteen (15) days from removal of contingencies.
- 7. BUYER'S CONTINGENCIES:** Buyer's obligation to perform on the purchase shall be subject to its satisfaction of the following Contingencies, which are for Buyer's benefit only (the "Contingencies"). In the event, any of the following Contingencies are not satisfied by 5:00 p.m. PST on the thirtieth (30th) day after opening of escrow, Buyer may, at its sole option, either waive such Contingencies or terminate the Purchase Agreement. If Buyer elects to terminate the Purchase Agreement pursuant to this section, the Initial Deposit shall be returned to Buyer (less one-half (1/2) of title and escrow cancellation charges). Failure of Buyer to notify Seller or Escrow Holder in writing within the applicable time limit that any of the following Contingencies has not been satisfied, shall be deemed to be satisfaction of the Contingency:

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- A. *Inspection of the Property including, but not limited to HVAC and Roof.*
  - B. *Existing Reports and Leases:* Within five (5) days after opening of escrow, Seller will deliver to Buyer soils report, existing leases, building plans, copies of all permits and current utility bills, Tenant Estoppel Certificates, disclosure of any litigation, violations or noncompliance matters affecting the property, City conditions of approval report and final parcel map.
  - C. *Preliminary Title:* Seller shall provide Buyer, within five (5) days after opening of escrow, a current preliminary title report for the project.
  - D. *Phase I Report:* Buyer to obtain a Phase I Environmental Report.
  - E. *Existing Tenant:* Prior to Buyer waiving it's Contingencies, the existing tenant shall vacate the property and remove the spray booth, repair any roof penetrations due to the spray booth removal, and leave the Property in broom swept condition.

All contingencies shall expire thirty (30) days "from the opening of escrow" and once the existing tenant vacates the property. Seller shall supply all items requested within five (5) business days from opening.

- 8. **BROKERAGE:** Brad Schneider of Lee & Associates – Newport Beach, Inc. represents the buyer in this transaction. Lee & Associates – Newport Beach, Inc. shall be paid a 2.5% commission of the purchase price by the seller.
- 9. **TERMS OF OFFER:** The foregoing may be accepted by Buyer by executing and returning letter to Seller on or before 5:00 p.m. on Wednesday October 30, 2019.

THIS LETTER IS INTENDED SOLELY AS A PRELIMINARY EXPRESSION OF GENERAL INTENTIONS AND IS TO BE USED FOR DISCUSSION PURPOSES ONLY. THE PARTIES AGREE THAT THIS LETTER IS NOT INTENDED TO CREATE ANY AGREEMENT OR OBLIGATION BY EITHER PARTY TO NEGOTIATE A DEFINITIVE AGREEMENT AND IMPOSES NO DUTY ON EITHER PARTY TO CONTINUE NEGOTIATIONS. THE PARTIES INTEND THAT NEITHER SHALL HAVE ANY CONTRACTUAL OBLIGATIONS TO THE OTHER WITH RESPECT TO THE MATTERS REFERRED HEREIN UNLESS AND UNTIL A DEFINITIVE AGREEMENT HAS BEEN FULLY EXECUTED AND DELIVERED BY THE PARTIES. PRIOR TO DELIVERY OF A DEFINITIVE EXECUTED AGREEMENT, AND WITHOUT ANY LIABILITY TO THE OTHER PARTY, EITHER PARTY MAY (1) PROPOSE DIFFERENT TERMS FROM THOSE SUMMARIZED HEREIN, (2) ENTER INTO NEGOTIATIONS WITH OTHER PARTIES, AND/OR (3) UNILATERALLY TERMINATE ALL NEGOTIATIONS WITH THE OTHER PARTY HERETO.

We look forward to your response. Please call me with any questions.

Sincerely,



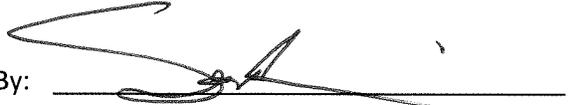
Brad Schneider  
 Senior Vice President/Principal  
 +1 949 724 4708

**AGREED AND ACCEPTED:**

**BUYER:**

**SELLER:**

STEVE CHALABIAN AND JACKIE JERNIGAN, OR NOMINEE

By: 

By: \_\_\_\_\_

Title: STEVE CHALABIAN

Title: \_\_\_\_\_

Date: 8/23/19

Date: \_\_\_\_\_

**DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP (As required by the Civil Code)**

When you enter into a discussion with a real estate agent regarding a real estate transaction, you should from the outset understand what type of agency relationship or representation you wish to have with the agent in the transaction.

**SELLER'S AGENT ("Seller" includes both a vendor and a lessor)**

A Seller's agent under a listing agreement with the Seller acts as the agent for the Seller only. A Seller's agent or a subagent of that agent has the following affirmative obligations:

To the Seller: A Fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Seller.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties. An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

**BUYER'S AGENT ("Buyer" includes both a purchaser and a lessee)**

A selling agent can, with a Buyer's consent, agree to act as agent for the Buyer only. In these situations, the agent is not the Seller's agent, even if by agreement the agent may receive compensation for services rendered, either in full or in part from the Seller. An agent acting only for a Buyer has the following affirmative obligations:

To the Buyer: A fiduciary duty of utmost care, integrity, honesty and loyalty in dealings with the Buyer.

To the Buyer and the Seller:

- (a) Diligent exercise of reasonable skill and care in performance of the agent's duties.
- (b) A duty of honest and fair dealing and good faith.
- (c) A duty to disclose all facts known to the agent materially affecting the value or desirability of the property that are not known to, or within the diligent attention and observation of, the parties.

An agent is not obligated to reveal to either party any confidential information obtained from the other party that does not involve the affirmative duties set forth above.

**AGENT REPRESENTING BOTH SELLER AND BUYER (including lessor and lessee)**

A real estate agent, either acting directly or through one or more associate licensees, can legally be the agent of both the Seller and the Buyer in a transaction, but only with the knowledge and consent of both the Seller and the Buyer.

In a dual agency situation, the agent has the following affirmative obligations to both the Seller and the Buyer:

- (a) A fiduciary duty of utmost care, integrity, honesty and loyalty in the dealings with either the Seller or the Buyer.
- (b) Other duties to the Seller and the Buyer as stated above in their respective sections.

In representing both Seller and Buyer, the agent may not, without the express permission of the respective party, disclose to the other party that the Seller will accept a price less than the listing price or that the Buyer will pay a price greater than the price offered.

The above duties of the agent in a real estate transaction do not relieve a Seller or Buyer from the responsibility to protect his or her own interests. You should carefully read all agreements to assure that they adequately express your understanding of the transaction.

A real estate agent is a person qualified to advise about real estate. If legal or tax advice is desired, consult a competent professional.

Throughout your real property transaction you may receive more than one disclosure form, depending upon the number of agents assisting in the transaction. The law requires each agent with whom you have more than a causal relationship to present you with this disclosure form. You should read its contents each time it is presented to you, considering the relationship between you and the real estate agent in your specific transaction. **This disclosure form includes the provisions of Sections 2079.13 to 2079.24, inclusive, of the Civil Code set forth on page 2 (or a separate page). Read it carefully.**

**Disclosure Provided By:**

Lee & Associates-Newport Beach  
BRE License#: 01197433



Signed By: Brad Schneider

Salesperson BRE License #: 01887613

Date: 8/23/19

**Disclosure Received By:**



Signed By: Steve Chalabian

[Check one  Buyer  Seller  Lessee  Lessor]

Date: 8/23/19

Signed By: \_\_\_\_\_

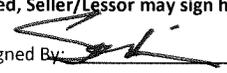
[Check one  Buyer  Seller  Lessee  Lessor]

Date: \_\_\_\_\_

**NOTE:**

• When the listing brokerage company also represents Buyer/Lessee: The Listing Agent shall have one Agency Disclosure form signed by Seller/Lessor and a second Agency Disclosure form signed by Buyer/Lessee.

• When Seller/Lessor and Buyer/Lessee are represented by different brokerage companies: (i) the Listing Agent shall have one Agency Disclosure form signed by Seller/Lessor and (ii) the Buyer's/Lessee's Agent shall have one Agency Disclosure form signed by Buyer/Lessee and either that same or a different Agency Disclosure form presented to Seller/Lessor for signature prior to presentation of the offer. **If the same form is used, Seller/Lessor may sign here:**

\_\_\_\_\_  
Signed By:  Date: \_\_\_\_\_

[Check one  Seller  Lessor]

**DISCLOSURE REGARDING REAL ESTATE AGENCY RELATIONSHIP**  
**CIVIL CODE SECTIONS 2079.13 THROUGH 2079.24**

**2079.13** As used in Sections 2079.14 to 2079.24, inclusive, the following terms have the following meanings:

(a) "Agent" means a person acting under provisions of Title 9 (commencing with Section 2295) in a real property transaction, and includes a person who is licensed as a real estate broker under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code, and under whose license a listing is executed or an offer to purchase is obtained. (b) "Associate licensee" means a person who is licensed as a real estate broker or salesperson under Chapter 3 (commencing with Section 10130) of Part 1 of Division 4 of the Business and Professions Code and who is either licensed under a broker or has entered into a written contract with a broker to act as the broker's agent in connection with acts requiring a real estate license and to function under the broker's supervision in the capacity of an associate licensee. The agent in the real property transaction bears responsibility for his or her associate licensees who perform as agents of the agent. When an associate licensee owes a duty to any principal, or to any buyer or seller who is not a principal, in a real property transaction, that duty is equivalent to the duty owed to that party by the broker for whom the associate licensee functions. (c) "Buyer" means a transferee in a real property transaction, and includes a person who executes an offer to purchase real property from a seller through an agent, or who seeks the services of an agent in more than a casual, transitory, or preliminary manner, with the object of entering into a real property transaction. "Buyer" includes vendee or lessee. (d) "Commercial real property" means all real property in the state, except single-family residential real property, dwelling units made subject to Chapter 2 (commencing with Section 1940) of Title 5, mobile homes, as defined in Section 798.3, or recreational vehicles, as defined in Section 799.29. (e) "Dual agent" means an agent acting, either directly or through an associate licensee, as agent for both the seller and the buyer in a real property transaction. (f) "Listing agreement" means a contract between an owner of real property and an agent, by which the agent has been authorized to sell the real property or to find or obtain a buyer. (g) "Listing agent" means a person who has obtained a listing of real property to act as an agent for compensation. (h) "Listing price" is the amount expressed in dollars specified in the listing for which the seller is willing to sell the real property through the listing agent. (i) "Offering price" is the amount expressed in dollars specified in an offer to purchase for which the buyer is willing to buy the real property. (j) "Offer to purchase" means a written contract executed by a buyer acting through a selling agent that becomes the contract for the sale of the real property upon acceptance by the seller. (k) "Real property" means any estate specified by subdivision (1) or (2) of Section 761 in property that constitutes or is improved with one to four dwelling units, any commercial real property, any leasehold in these types of property exceeding one year's duration, and mobile homes, when offered for sale or sold through an agent pursuant to the authority contained in Section 10131.6 of the Business and Professions Code. (l) "Real property transaction" means a transaction for the sale of real property in which an agent is employed by one or more of the principals to act in that transaction, and includes a listing or an offer to purchase. (m) "Sell," "sale," or "sold" refers to a transaction for the transfer of real property from the seller to the buyer, and includes exchanges of real property between the seller and buyer, transactions for the creation of a real property sales contract within the meaning of Section 2985, and transactions for the creation of a leasehold exceeding one year's duration. (n) "Seller" means the transferor in a real property transaction, and includes an owner who lists real property with an agent, whether or not a transfer results, or who receives an offer to purchase real property of which he or she is the owner from an agent on behalf of another. "Seller" includes both a vendor and a lessor. (o) "Selling agent" means a listing agent who acts alone, or an agent who acts in cooperation with a listing agent, and who sells or finds and obtains a buyer for the real property, or an agent who locates property for a buyer or who finds a buyer for a property for which no listing exists and presents an offer to purchase to the seller. (p) "Subagent" means a person to whom an agent delegates agency powers as provided in Article 5 (commencing with Section 2349) of Chapter 1 of Title 9. However, "subagent" does not include an associate licensee who is acting under the supervision of an agent in a real property transaction.

**2079.14** Listing agents and selling agents shall provide the seller and buyer in a real property transaction with a copy of the disclosure form specified in Section 2079.16, and, except as provided in subdivision (c), shall obtain a signed acknowledgement of receipt from that seller or buyer, except as provided in this section or Section 2079.15, as follows: (a) The listing agent, if any, shall provide the disclosure form to the seller prior to entering into the listing agreement. (b) The selling agent shall provide the disclosure form to the seller as soon as practicable prior to presenting the seller with an offer to purchase, unless the selling agent previously provided the seller with a copy of the disclosure form pursuant to subdivision (a). (c) Where the selling agent does not deal on a face-to-face basis with the seller, the disclosure form prepared by the selling agent may be furnished to the seller (and acknowledgement of receipt obtained for the selling agent from the seller) by the listing agent, or the selling agent may deliver the disclosure form by certified mail addressed to the seller at his or her last known address, in which case no signed acknowledgement of receipt is required. (d) The selling agent shall provide the disclosure form to the buyer as soon as practicable prior to execution of the buyer's offer to purchase, except that if the offer to purchase is not prepared by the selling agent, the selling agent shall present the disclosure form to the buyer not later than the next business day after the selling agent receives the offer to purchase from the buyer.

**2079.15** In any circumstance in which the seller or buyer refuses to sign an acknowledgement of receipt pursuant to Section 2079.14, the agent, or an associate licensee acting for an agent, shall set forth, sign, and date a written declaration of the facts of the refusal.

**2079.16** Reproduced on the reverse side of this form.

**2079.17** (a) As soon as practicable, the selling agent shall disclose to the buyer and seller whether the selling agent is acting in the real property transaction exclusively as the buyer's agent, exclusively as the seller's agent, or as a dual agent representing both the buyer and the seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller, the buyer, and the selling agent prior to or coincident with execution of that contract by the buyer and the seller, respectively. (b) As soon as practicable, the listing agent shall disclose to the seller whether the listing agent is acting in the real property transaction exclusively as the seller's agent, or as a dual agent representing both the buyer and seller. This relationship shall be confirmed in the contract to purchase and sell real property or in a separate writing executed or acknowledged by the seller and the listing agent prior to or coincident with the execution of that contract by the seller. (c) The confirmation required by subdivisions (a) and (b) shall be in the following form.

(DO NOT COMPLETE, SAMPLE ONLY) \_\_\_\_\_ is the Agent of (check one):  the seller exclusively; or  the buyer exclusively  
Name Listing Agent (Brokerage Firm)

(DO NOT COMPLETE, SAMPLE ONLY) \_\_\_\_\_ is the Agent of (check one):  the seller exclusively; or  the buyer exclusively; or  both the seller and buyer  
Name Listing Agent (If not same as the Listing Agent)

(d) The disclosures and confirmation required by this section shall be in addition to the disclosure required by Section 2079.14.

**2079.18** No selling agent in a real property transaction may act as an agent for the buyer only, when the selling agent is also acting as the listing agent in the transaction.

**2079.19** The payment of compensation or the obligation to pay compensation to an agent by the seller or buyer is not necessarily determinative of a particular agency relationship between an agent and the seller or buyer. A listing agent and a selling agent may agree to share any compensation or commission paid, or any right to any compensation or commission for which an obligation arises as the result of a real estate transaction, and the terms of any such agreement shall not necessarily be determinative of a particular relationship.

**2079.20** Nothing in this article prevents an agent from selecting, as a condition of the agent's employment, a specific form of agency relationship not specifically prohibited by this article if the requirements of Section 2079.14 and Section 2079.17 are complied with.

**2079.21** A dual agent shall not disclose to the buyer that the seller is willing to sell the property at a price less than the listing price, without the express written consent of the seller. A dual agent shall not disclose to the seller that the buyer is willing to pay a price greater than the offering price, without the express written consent of the buyer. This section does not alter in any way the duty or responsibility of a dual agent to any principal with respect to confidential information other than price.

**2079.22** Nothing in this article precludes a listing agent from also being a selling agent, and the combination of these functions in one agent does not, of itself, make that agent a dual agent.

**2079.23** A contract between the principal and agent may be modified or altered to change the agency relationship at any time before the performance of the act which is the object of the agency with the written consent of the parties to the agency relationship.

**2079.24** Nothing in this article shall be construed to either diminish the duty of disclosure owed buyers and sellers by agents and their associate licensees, subagents, and employees or to relieve agents and their associate licensees, subagents, and employees from liability for their conduct in connection with acts governed by this article or for any breach of a fiduciary duty or a duty of disclosure.