

JAD Realty, LLC

August 28, 2014

Joseph Daichendt
Theory Properties
1 Hammond Rd.
Ladera Ranch, CA 92694

RE: 29901 SANTA MARGARITA PARKWAY, RANCHO SANTA MARGARITA, CA

Dear Mr. Daichendt:

I wish to make the following proposal whereby JAD Realty, LLC, or its assignee ("Buyer") purchase the above-referenced real property and all improvements thereon (the "Property"). This proposal is based upon the following general terms and conditions:

- 1. Definitive Agreement:** Upon execution of this proposal, the parties will promptly cause to be prepared a definitive written purchase and sale agreement and joint escrow instructions (hereinafter, the "Agreement") consistent with the terms and conditions herein and such others as may be negotiated or otherwise required in the Agreement.
- 2. Purchase Price:** The purchase price ("Purchase Price") will be Eight Million Five Hundred Thousand Dollars (\$8,500,000).
- 3. Payment of Purchase Price:** The Purchase Price will be paid as follows:
 - (a) Upon conclusion of the Contingency Period, defined below, Buyer shall deliver to Escrow Holder (defined below) the sum of Fifty Thousand Dollars (\$50,000) as a deposit ("Deposit"). The Deposit will be invested by Escrow Holder in an interest bearing account selected by Buyer and all

interest accruing thereon will be credited to the Purchase Price upon the close of escrow. The Deposit will become liquidated damages in the event of Buyer's failure to close in accordance with the Agreement.

(b) Buyer will deliver to Escrow Holder the balance of the Purchase Price prior to close of Escrow.

4. Premises:

I understand but have not verified that the Property is improved with a building and situated upon an approximate 4.7 acre parcel and include all improvements thereon and all records, plans and development rights thereto.

5. Title:

Title to the Property will be conveyed to Buyer by grant deed on close of Escrow subject to matters of title approved by Buyer. Title will be conveyed subject to no monetary liens except for the payment of non-delinquent real property taxes.

6. Escrow:

Escrow Holder will be Fidelity National Title Company, 1300 Dove Street, Suite 310, Newport Beach, California, 92660, Attention: Ms. Valerie Vona. Escrow will close no later than sixty (60) days following satisfaction of the various items noted in item 8, "Contingencies", below.

7. Financing:

Buyer will diligently pursue obtaining a commitment from one or more financial institutions to lend to Buyer sufficient sums so as to complete the purchase.

8. Contingencies:

Buyer's obligation to consummate the transaction contemplated by the Agreement will be subject to Buyer's approval or waiver of the following contingencies within (180) days of the opening of escrow (the "Contingency Period"). In the event a

contingency is not satisfied or waived by Buyer within the Contingency Period, Escrow will be canceled and Buyer will be entitled to a return of the Deposit.

- (a) Title Report: Buyer's approval of a preliminary title report and "extended coverage" supplemental title report covering the Property and all underlying exceptions to be obtained by Seller at Seller's cost, and to be supplied by Seller immediately upon acceptance of this offer.
- (b) Soils, Geology and Environmental Reports: Buyer's approval of soils, geology and environmental reports (if any) to be obtained by Buyer at Buyer's election and cost.
- (c) Inspections: Buyer's approval of the results of an inspection of the Property to be made by Buyer at Buyer's cost. Such inspections may include surveys, building and systems inspections, etc.
- (d) Zoning: Buyer's receipt of evidence satisfactory to Buyer that the Property is zoned for the use to which Buyer intends.
- (e) Records and Plans: Buyer's approval of all books and records and reports prepared in connection with the acquisition and development of the Property including, without limitation, all improvement plans, all soils and engineering reports, all governmental agency related correspondence (including a copy of the most recently issued bills for all real property taxes and personal property taxes payable with respect to the Property), all building permits and certificates of occupancy and all service and maintenance contracts in effect with respect to the Property. This information will be supplied to Buyer within ten (10) days of the opening of Escrow.

- (f) Financing: Buyer's financing as described above.
- (g) Toyota Approval: The Property must be approved by Toyota Motor Sales, USA for use as Toyota dealership.
- (h) City Approvals/Concessions: The Buyer and the City of Rancho Santa Margarita must enter into a definitive agreement relating to required City approvals and the like (remodel, ingress-egress modifications, etc.) and enter into an Owner Participation or similar agreement relating to concessions by the City in favor of Buyer, all to be negotiated and evidenced in writing between the City and the Buyer upon such terms and conditions the parties may agree to.
- (i) Contemporaneous Sale and Closing: The Buyer shall have entered into an agreement to sell property owned by the Buyer located at 22722 Avenida Empressa, Rancho Santa Margarita, California, on terms and conditions acceptable to the Buyer, with such transaction to close contemporaneously with this transaction.

9. Seller's Obligation:

Contemporaneous with the closing of Escrow, Seller is to dismiss, with prejudice, any and all then pending legal actions filed by Seller or any affiliate of Seller against the City or any agency, board or division thereof, the substance of which relates directly or indirectly to any matter involving the Property.

10. Seller's Representations:

Seller will provide Buyer with customary representations and warranties concerning the Property and related matters which must be true and correct as of the opening and closing of Escrow.

11. Title Insurance:

Seller will provide Buyer with a CLTA Owner's Policy of Title Insurance ("Title Policy") in the amount of the Purchase Price. The Title Policy will be subject only to those matters of title approved by Buyer.

12. Closing Costs, Credits and Prorations:

Seller will pay for the Title Policy and transfer taxes. Buyer and Seller will pay equally for recording and escrow fees. Real property taxes and any other matters to be prorated will be prorated as of the close of Escrow.

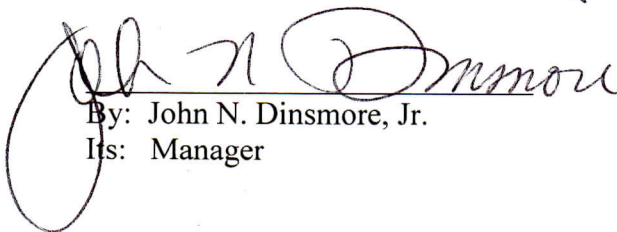
13. Cooperation of Seller:

Seller will cooperate with Buyer in Buyer's efforts to obtain any permits, approvals, reviews or inspections by governmental agencies as Buyer may wish to obtain during the escrow period and shall, as owner of the Property, execute whatever documents may be necessary to obtain such matters.

This proposal is an expression of intent only and is not intended to be and will not be contractually binding on either party. An agreement regarding the purchase and sale of the Property, if any, would only be expressed in a fully executed Agreement. Your response to this proposal on or before September 10, 2014, would be appreciated.

Sincerely,

JAD Realty, LLC
a California limited liability company



By: John N. Dinsmore, Jr.
Its: Manager

The above is acknowledged and agreed to:

Theory Properties

By: _____

Title: _____

Date: _____