

PROMISSORY NOTE SECURED BY DEED OF TRUST
[AMENDMENT TO NOTE DATED DECEMBER 8, 2016]

Amended Principal Amount: \$2,993,304.58

January 1, 2020

FOR VALUE RECEIVED, the undersigned, COTTAGE INDUSTRIES, LLC, a California limited liability company ("Borrower") promises to pay to the City of Garden Grove, a California municipal corporation ("City") or to order at 11222 Acacia Parkway, Garden Grove, California, 92840, or such other place as City may designate in writing, the principal sum of TWO MILLION NINE HUNDRED NINETY-THREE THOUSAND THREE HUNDRED FOUR DOLLARS AND FIFTY-EIGHT CENTS (\$2,993,304.58) plus interest, as set forth below, on the terms specified below.

1. Agreement. This Note is an amendment to the promissory note secured by deed of trust given in accordance with that certain Disposition and Development Agreement, as defined hereafter. The obligations of the Borrower under this Note shall be subject to the terms of the Deed of Trust of even date herewith, which secures performance under this Note.

2. Definitions. The terms set forth in this section shall have the following meanings in this Note. Capitalized terms not defined in this Note shall have the same meanings as defined in the Deed of Trust, the terms of which are incorporated into this Note by this reference.

(a) "Deed of Trust" shall mean that certain Deed of Trust, of even date herewith, executed by Borrower for the benefit of City, which Deed of Trust secures the obligations of this Note.

(b) "Loan" shall mean the loan in the amount of 2,993,304.58 by City to Borrower, which Loan is the subject of this Note.

(c) "Note" shall mean this Promissory Note Secured by Deed of Trust.

(d) "Parties" shall mean City and Borrower.

(e) "Property" shall mean that certain real property described on Exhibit "A," attached hereto and incorporated herein, together with all improvements, and fixtures now or hereafter constructed, placed or located on the Property.

(f) "Disposition and Development Agreement" or "DDA" shall mean that certain Disposition and Development Agreement between City and Borrower executed by Lab Holdings, LLC and the City dated May 10, 2016, which was assigned by Lab Holdings, LLC to Borrower on May 31, 2016, and consented to by City.

(g) "Term" shall mean the term of this Note, which shall begin on the date first set forth above and shall end on December 30, 2029.

3. Repayment.

(a) Principal and Interest Deferment. Pursuant to the Payment Schedule attached as Exhibit "B" hereof, commencing on January 1, 2020, for a period of 30 months, through June 30, 2022, the original principal loan amount of \$2,709,030.00 plus simple interest on that amount at the rate of 4% per annum (\$270,903.00 for said 30-month period) plus interest at the rate 4% per annum being deferred on the principal amount of \$133,715.82 for Phase I fees for Borrower's development fees (\$13,371.58 in interest for said 30-month period) shall be deferred, for a total of \$284,274.58 in deferred interest being added to the original \$2,709,030.00 loan for a total principal amount under this Note in the amount of \$2,993,304.58.

(b) Monthly Interest-Only Payments. Starting on July 1, 2022, and continuing thereafter from month-to-month until June 30, 2025, Borrower shall pay the monthly sum of \$9,475.82. Said monthly payment represents \$9,030.10 in simple interest at 4% per annum on the original \$2,709,030.00 loan, plus \$445.72 in simple interest at 4% per annum on the \$133,715.82 deferred Phase I fees, being computed on the basis of a 360-day year. Said monthly payments shall be made to City, or to order, in advance on the first day of each calendar month. Phase I fees interest payments shall cease upon Borrower's payment in full of said fees.

(c) Monthly Principal and Interest Payments. Starting on July 1, 2025, through December 1, 2029, Borrower shall pay principal in the amount of \$10,000.000 monthly. Said principal payment amount shall be added to the interest payments in subdivision (b) above, for a total monthly payment in the amount of \$19,475.82 or \$19,030.10 if Phase I fees have been paid in full.

(d) Repayment in Full. At the end of the Term of this Note, the entire unpaid principal balance in the amount of 2,453,304.58 and all accrued interest, if any, shall be due and payable. Furthermore, the total amount of the unpaid principal owed under this Note shall immediately become due and payable in the event of a default by Borrower under this Note or the Deed of Trust. Failure to declare such amounts due shall not constitute a waiver on the part of City to declare them due in the event of a subsequent default.

(e) Terms of Payment. All amounts due and payable under the Note are payable at the Office of City at the address provided above, or at such other place or places as City may designate to Borrower in writing from time to time. Any payment under this Note shall be paid in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts and which on the respective dates on which such payments are due shall be in immediately available funds.

(f) Prepayments. Borrower may prepay all or part of the principal balance plus applicable interest due under this Note without penalty.

4. Prohibition Against Transfer of Interest. Borrower shall not make any transfer, sale, assignment or conveyance, or transfer in any other form, other than in accordance with the terms of this Note or the Deed of Trust. If any such transfer is made, all amounts due under this Note shall become immediately due and payable without further notice by City, as set forth herein. The following events shall not be considered a transfer of interest: (a) a change in ownership of

Borrower as a result of a merger, consolidation, reorganization, or joint venture; (b) the sale, exchange, issuance, or other transfer of Borrower's stock on a national exchange or between Borrower's parent company, if any, and any subsidiary, affiliate, related entity, or other entity that controls, is controlled by, or is under common control with Borrower; (c) the Transfer of this Agreement to Borrower's parent entity, if any, or any subsidiary, affiliate, related entity, an entity that controls, is controlled by, or is under common control with Borrower; or (d) a collateral assignment of Borrower's interest in this Note to a lender as security for any indebtedness of Borrower to the lender. Borrower shall not be required to obtain City's consent and City shall have no right to delay, alter, or impede any of the foregoing transactions or combinations thereof, but such transfer of interest shall be effective only upon not less than sixty (60) days written notice to City.

5. Security. The Deed of Trust, dated the same date as this Note, secures this Note.

6. Waivers.

(a) Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time at City's sole discretion and that City may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by City with any person or party now or hereafter liable for payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of Borrower under this Note, either in whole or in part.

(c) The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights:

(i) to offset, deduct, or withhold any payments or charges due under this Note for any reasons whatsoever;

(ii) of presentment for payment, demand, protest and notices of dishonor and protest made by City; and

(iii) with respect to City's diligence in taking any action to collect any sums owing under this Note or in proceeding against any of City's rights and interests in and to properties securing payment of this Note.

7. Attorney Fees and Costs. Borrower agrees, that if any amounts due under this Note are not paid when due, in addition to any such past due amounts, Borrower shall pay, all costs and expenses of collection and reasonable attorney fees paid or incurred by City in connection with the collection or enforcement of this Note; whether or not suit is filed.

8. Joint and Several Obligations. This Note is the joint and several obligation of all makers, sureties, guarantors, and endorsers, and shall be binding upon them and their successors and assigns.

9. Deed of Trust Acceleration. This Note is secured by a Deed of Trust on the Property. The Deed of Trust provides for acceleration of the payments due under this Note, along with applicable interest, as set forth in Section 10, below, in the event of default (after expiration of any applicable cure period) under the Deed of Trust or this Note.

10. Default. Borrower shall be in default under this Note if Borrower: (i) fails to pay any money when due under this Note; (ii) breaches any representation or covenant made in this Note in any material respect; or (iii) breaches any provision of the Deed of Trust.

All covenants, conditions, and agreements contained in this Note and the Deed of Trust are hereby made a part of this Note, and Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all charges owing, shall, at the option of City hereof, become immediately due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum ("Default Rate"), compounded annually upon the failure of the Borrower to make any payment hereunder, as and when due (after expiration of any applicable cure period); upon the failure of Borrower to perform or observe any other term or provision of this Note; or upon the occurrence of any event (whether termed default, event of default, or similar term) which (after the expiration of any applicable cure period) under the terms of this Note or the Deed of Trust shall entitle City to exercise rights or remedies thereunder.

11. Governing Law. This Note shall be construed in accordance with and be governed by the laws of the State of California.

12. Severability. If any provision of this Note shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

13. Time. Time is of the essence in this Note.

14. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay by City in taking, action with respect to such breach, default or failure, or any form of previous waiver of any similar or unrelated breach, default or failure; and waiver of any term of this Note or the Deed of Trust or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

15. Amendments and Modifications. This Note may not be changed orally, but only by an amendment in writing signed by Borrower and City.

16. Notices. All notices required in this Note shall be sent in accordance with Section 18 of the Deed of Trust.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Borrower has executed this Promissory Note as of the day and year first above written.

COTTAGE INDUSTRIES, LLC
a California limited liability company

By: _____
as agent and manager

By: _____

Date:

By: _____

Date: _____

EXHIBIT "A" TO PROMISSORY NOTE

GENERAL DESCRIPTION OF THE PROPERTY

	Address	APN
1	12911 7TH ST	090-172-18
2	11352 ACACIA PKWY	090-172-29
3	12902 7TH ST	090-173-04
4	12912 7TH ST	090-173-05
5	12932 7TH ST	090-173-07
6	11361 GARDEN GROVE BLVD	090-173-09
7	11391 GARDEN GROVE BLVD	090-173-11
8	12911 8TH ST	090-173-16
9	11412 ACACIA PKWY	090-173-22
10	12932 8TH ST	090-174-05
11	12931 9TH ST	090-174-11
12	12941 9TH ST	090-174-10

EXHIBIT "B" TO PROMISSORY NOTE
Cottage Industries Interest Payment Schedule

