

SUMMARY OF MONARCH BAY OPTION FOR REAL ESTATE BROKERS/AGENTS

This summary is to provide a brief overview of the option to purchase the fee interest in 214 lot residential community known as Monarch Bay, which option is owned by the Monarch Bay Land Association ("MBLA"). Residents in Monarch Bay currently have a subleasehold interest in their respective lots. **FOR A COMPLETE UNDERSTANDING OF THE OPTION, YOU SHOULD READ IN ITS ENTIRETY THE OPTION AGREEMENT DATED 9/2/88, COPIES OF WHICH ARE AVAILABLE THROUGH LISA KLASKY AT PROGRESSIVE MANAGEMENT (phone number 949-582-7770).**

MBLA is a nonprofit corporation owned by the residents of Monarch Bay. Each member interest is attached to each of the 214 residential units in Monarch Bay and not separately transferable. MBLA is a single purpose entity formed to acquire, hold and execute an option to purchase the entire fee interest in Monarch Bay on July 1, 2020 pursuant to the Option Agreement.

Commencing in the year 2019, if MBLA and the current owner of the fee interest in the Monarch Bay (which are various family trusts) do not agree on an aggregate value for the fee interest in Monarch Bay, each will retain an appraiser. The Option Agreement provides that separate appraisals will be done on each of the 214 lots using the market data approach on a "finished lot" basis. What this means is that the appraiser will not take into account the value of single family dwellings, Monarch Bay Club improvements, attached and detached garages, swimming pools, spas, hot tubs, landscaping, tennis courts, fences, walls, guard houses and gates, but will be entitled to value certain infrastructure such as streets, utilities, sidewalks and other such improvements installed and all governmental approvals that would enable single family residences to be built and occupied on each lot. The total value for Monarch Bay will be the sum of these 214 separate appraisals. Existing Monarch Bay amenities such as the tennis court area and Beach Club and parking lot will become common area owned pro rata by all homeowners and all of Monarch Bay shall be subject to CC&Rs administered by the Homeowners' Association.

If the respective appraisers' valuations are within 10%, the difference will be split and that average will be the agreed upon value (otherwise a third appraiser will be retained and the three appraisals averaged). MBLA will then purchase the 214 lots **AT 65% OF THAT AGREED UPON VALUE** and in turn offer then existing home owners the right to buy their lot for 65% of its appraised value, plus the allocated portion of any costs and expenses associated with MBLA's exercise of the option and acquisition of Monarch Bay.

ONCE AGAIN, FOR COMPLETE ACCURACY YOU SHOULD READ THE OPTION AGREEMENT IN ITS ENTIRETY. IF YOU OR A PROSPECTIVE BUYER HAVE ANY QUESTIONS, CONSULT WITH YOUR OWN LEGAL COUNSEL.