

## EXHIBIT "B"

TO LEASE AGREEMENT DATED AUG. 4, 1978  
BETWEEN HILL DEVELOPMENT CORPORATION AND  
HILLCREST CORPORATION

A portion of Section 35 and of Section 26, in Township 13 South, Range 67 West of the 6th P.M. in El Paso County, Colorado, lying 40 feet on either side of the following described center line: Beginning at a point where the center line of Kissing Camels Drive intersects the Easterly line of Mesa Road as shown on the plat of Kissing Camels Subdivision No. 2 as recorded in Plat Book C-2 at Page 2 of the records of El Paso County, Colorado; thence Northeasterly on said center line 644.36 feet to a point of curve; thence on a curve to the left whose radius is 600.00 feet an arc distance of 236.67 feet through a central angle of  $22^{\circ} 36'$  to a point of compound curve; thence on a curve to the left whose radius is 571.65 feet an arc distance of 353.19 feet through a central angle of  $35^{\circ} 24'$  to a point of tangency; thence tangent to the aforementioned curve 106.00 feet to the Southeast corner of Kissing Camels Subdivision No. 1 as recorded in Plat Book C-2 at Page 1 of the records of El Paso County, Colorado; thence continue tangent to the last mentioned curve 114.63 feet to the point of curvature of a curve to the right whose radius is 468.03 feet through a central angle of  $50^{\circ} 04'$  an arc distance of 408.97 feet to the point of tangency of said curve, being also the Northeasterly corner of said Kissing Camels Subdivision No. 1; thence on a curve to the right the radius of which is 1039.55 feet through a central angle of  $27^{\circ} 25' 20''$  an arc distance of 497.50 feet to the point of tangency of said curve; thence in a Northeasterly direction on the extension of the tangent of the last described curve a distance of 197.16 feet to the point of curvature of a curve to the left whose radius is 489.75 feet through a central angle of  $44^{\circ} 25' 40''$  an arc distance of 379.72 feet to the point of tangency of said curve; thence continue Northeasterly on the extension of the tangency of the last described curve a distance of 683.61 feet to the point of termination.

COUNTY OF EL PASO STATE OF COLORADO FEB 10  
RECEIVED AT 2:41 O'CLOCK P.M. APR 19 1979  
RECEPTION NO. 51665 ARDIS W. SCHMITZ DEPUTY

BOOK 3165 PAGE 490

ADDENDUM TO LEASE

WHEREAS, on or about August 4, 1978, HILL DEVELOPMENT CORPORATION, a Delaware corporation ("Landlord"), and HILLCREST CORPORATION, a Colorado corporation ("Tenant"), entered into a Lease Agreement relative to the real property described on Exhibit "A" attached hereto and read a part hereof; and

WHEREAS, Tenant is the owner of the buildings, improvements and fixtures presently situated on the Lease Premises; and

WHEREAS, it was the contemplation of the parties when they entered into said Lease, that said buildings, improvements and fixtures would be converted into condominium units in accordance with the laws of the State of Colorado; and

WHEREAS, in order to obtain financing for said condominium units, it is necessary for the aforesaid Lease to be amended by this Addendum so that said Lease will conform to the requirements of lenders and federal agencies which deal with lenders;

NOW, THEREFORE, it is hereby agreed as follows:

1. Conflict With Lease.

In the event any term of this Addendum conflicts with the aforesaid Lease, the terms of this Addendum shall prevail.

2. Condominium Conversion.

Upon the converting of the improvements to a condominium, and the recording of a Condominium Declaration for Kissing Camels Townhomes and a condominium map for Kissing Camels Townhomes, the leasehold estate shall be divided into forty-nine (49) separate undivided interests, each condominium unit having appurtenant to it an undivided interest in the leasehold estate in accordance with the percentages set forth on the Exhibit "B" to the Declaration for Kissing Camels Townhomes.

3. Mortgaging of Interest in Leasehold Estate.

Each owner of a condominium unit shall be entitled to mortgage his undivided interest in the leasehold estate as part of the mortgaging of a condominium unit, without the permission or approval of Landlord.

4. Assignment of Interest in Leasehold Estate.

Notwithstanding Paragraph 11 of the Lease, each owner of a condominium unit shall be entitled to assign, without the Landlord's approval, his undivided interest in the leasehold estate as part of a conveyance of the owner's condominium unit. Upon such an assignment, the condominium unit owner shall be released from any liability whatsoever under the terms of the Lease, provided however, this release from liability shall not include the Tenant.

5. Payment of Mortgagee Under Hazard Insurance.

Any mortgagee of a condominium unit situated on the leasehold estate shall be able to be an insured under any hazard insurance policy, and said mortgagee shall be entitled to payment of hazard insurance proceeds in accordance with the terms of the Condominium Declaration.

6. Notice of Default and Foreclosure.

(a) After the leasehold estate and improvements thereon are converted to a condominium, payments of the rental shall be made to the Landlord by the Condominium Homeowners Association, and each owner of a condominium unit shall be responsible to pay its monthly share of the rental under this Lease in accordance with each owner's percentage interest in the general common elements as set forth on Exhibit "B" of the Condominium Declaration. In the event an owner fails to pay his share of the rental hereunder by failing to pay his monthly general common element expense assessment to the Condominium Homeowners Association, then the Landlord shall receive immediate notice of that fact from the Condominium Homeowners Association together with the name of the defaulting owner and the legal description of the defaulting owner's condominium unit. The defaulting owner shall then be in default under the terms of Paragraph 14 of the Lease, and after giving fifteen (15) days' notice to the defaulting owner for failure to pay rent, or for failure to comply with any of the other terms in accordance with the terms of the Lease, and in the event said default is not cured by the owner within said fifteen (15) day period, the

owner's undivided interest in the leasehold estate shall terminate and title to the improvements shall revert to the Landlord. Provided, however, in the event the condominium unit of the defaulting owner is subject to an encumbrance of a mortgagee, the Landlord as part of the notice of the defaulting owner, must also give notice to the condominium unit mortgagee, and said condominium unit mortgagee shall be entitled to cure said default on behalf of the defaulting owner within twenty-five (25) days from the date of the default notice, as provided in Paragraph 14 of the Lease. In the event the default is of such a nature that it cannot be curable by the condominium unit mortgagee, and the defaulting owner's interest in the leasehold estate is terminated due to said default, then the Landlord will provide the condominium unit mortgagee with a new lease for said interest in the leasehold estate. Further, the present Tenant, Hillcrest Corporation, shall also be given notice of default by the Landlord, and if Hillcrest Corporation shall cure the default, and if Hillcrest Corporation is not reimbursed by the owner of the condominium unit within thirty (30) days from curing said defaults, then Hillcrest Corporation shall have such remedies as are provided by Colorado law against said condominium unit owner, provided, however, said rights shall always be subordinate to those of any condominium unit mortgagee and the Landlord.

(b) Upon foreclosure by a condominium unit mortgagee of the mortgage encumbering a condominium unit on the leasehold estate, notice of said foreclosure shall be given to the Landlord and the Landlord shall have the opportunity to cure such default or, at its option, the Landlord shall have the exclusive option to purchase any unit foreclosed upon for an amount equal to the indebtedness and foreclosure costs then due such mortgagee with respect to the foreclosed unit. In the event the Landlord does not cure the default or purchase the condominium unit within ninety (90) days after a Public Trustee's Deed has been issued to the mortgagee, the mortgagee shall acquire an undivided interest in the leasehold estate appurtenant to the condominium unit foreclosed upon within the condominium unit mortgagee's

name or a nominee of the condominium unit mortgagee.

7. Condemnation.

In the event of condemnation of the leasehold estate and the improvements constructed thereon, the Landlord's interest in the condemnation award must not be more than the value of the real property considered as unimproved, at the time of condemnation, with the remaining amount of the award going to the condominium unit owners. A condominium unit mortgagee shall be entitled to that portion of the condemnation award apportioned to the condominium unit upon which the condominium unit mortgagee has a mortgage.

8. Damage or Destruction.

(a) In the event of damage or destruction to the improvements on the leasehold estate due to fire or other disaster, the insurance proceeds, if sufficient to reconstruct the improvements shall be utilized to promptly repair and reconstruct all damaged improvements and any damage to the leasehold estate.

(b) If the insurance proceeds are sufficient to repair and reconstruct the improvements, and if the damage is not more than fifty percent (50%) of the total value of all of the improvements, not including the real property, such damage or destruction shall be promptly repaired and reconstructed by the Tenant, or if the project is converted to a condominium, by the condominium unit owners.

(c) If the insurance proceeds are insufficient to repair and reconstruct the improvements, and if such damage is more than fifty percent (50%) of the total replacement costs of all the improvements, not including the real property, such damage or destruction shall be promptly repaired and reconstructed by the Tenant, or if the project is converted into a condominium, by the condominium unit owners, provided, however, the Tenant, or if the project is converted into a condominium, the condominium unit owners representing an aggregate ownership interest of seventy-five percent (75%) or more of the common

elements and all of the mortgagees holding first mortgages on condominium units approve to said repair for reconstruction of the improvements in writing; and if the aforesaid approval to repair or reconstruct is not obtained, this Lease shall terminate, and all insurance proceeds shall be paid to the mortgagees of condominium units and condominium unit owners as is provided in this Addendum and the Condominium Declaration.

9. Binding Effect.

All other provisions of the Lease which are not in conflict with this Addendum shall remain in full force and effect.

IN WITNESS WHEREOF, this Addendum was entered into between the Landlord and the Tenant on the 13 day of November, 1978.



HILLCREST CORPORATION,  
a Colorado corporation

By J. Dale Duncan  
J. Dale Duncan, President

Winston A. Parker  
Winston A. Parker, Secretary

HILL DEVELOPMENT CORPORATION,  
a Delaware corporation

By John Lambert  
President



John Lambert

ADDENDUM TO LEASE

WHEREAS, on or about August 4, 1978, HILL DEVELOPMENT CORPORATION, a Delaware corporation ("Landlord"), and HILLCREST CORPORATION, a Colorado corporation ("Tenant"), entered into a Lease Agreement relative to the real property described on Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, the aforesaid Lease Agreement was amended in accordance with an Addendum to Lease dated November 13, 1978; and

WHEREAS, the parties desire to further amend the Lease Agreement to protect third party purchasers of Condominium Units in accordance with the terms of the Lease Agreement.

NOW, THEREFORE, it is hereby agreed as follows:

1. Conflict With Lease and Addendum to Lease.

In the event any term of this Addendum conflicts with the aforesaid Lease Agreement, or the terms of the Addendum dated November 13, 1978, the terms of this Addendum shall prevail.

2. Indemnity to Landlord.

Notwithstanding the provisions contained in Paragraph 3(A) of the Lease Agreement, relative to indemnifying and holding Landlord harmless from and against any loss or damage arising from any matter whatsoever in any way connected with the sale, ownership, use or occupancy of condominium units, said indemnity shall only be the liability of Tenant, Hillcrest Corporation, and shall not be the liability of any third party purchaser of a condominium unit. Provided, however, that upon a sale of a condominium unit, an Association known as Condominium Homeowners Association of Kissing Camels Townhomes shall be established and said Homeowners Association shall indemnify and hold Landlord harmless from and against any loss or damage in any way connected with the ownership, use or occupancy of any condominium unit and that the Association shall obtain public liability insurance with a primary or umbrella coverage in an amount not less than One Million Dollars (\$1,000,000.00) covering all claims for bodily injury or property damage and will name Landlord as an additional insured under the policy.

3. Liquidated Damages on Foreclosure of Underlying Deed of Trust.

Notwithstanding the provisions contained in Paragraph 3(B) of the Lease Agreement, relative to liquidated damages payable to the Landlord in the event of a foreclosure of a Deed of Trust which is subordinated to the Landlord's interest in the real property, said obligation shall only be the liability of Tenant (Hillcrest Corporation), and shall not be the liability of a third party purchaser of a condominium unit. Further, the failure of Tenant (Hillcrest Corporation) to pay said liquidated damages shall not cause a forfeiture of the Lease Agreement, but rather shall only be a personal obligation of Tenant (Hillcrest Corporation). Provided, however, Tenant's (Hillcrest Corporation) liability to pay liquidated damages shall be extinguished for each condominium unit upon the conveyance of each condominium unit to third party purchasers.

4. Condominium Conversion.

As set forth in Paragraph 2 of the Addendum to Lease dated November 13, 1978, the Leasehold Estate is to be divided into 49 separate undivided interests, each condominium unit having appurtenant to it an undivided interest in the Leasehold Estate. Landlord further agrees that in the event that there is a default of the Lease Agreement by one or more of the undivided interests in the Leasehold Estate, that said default will only apply to that particular interest in default, and said default will not constitute a default under the entire Lease or effect the other interest in the Leasehold Estate as is defined by the Condominium Declaration for Kissing Camels Townhomes.

5. Subordination by Landlord to Holder of First Deed of Trust.

In order to effectuate the provisions contained in Paragraph 3(B) of the Lease Agreement relative to the subordination by the Landlord of its fee title in order to obtain

financing for third party purchasers of Condominium Units,  
the Landlord hereby agrees to join in the execution of first  
Deeds of Trust which will contain the following limiting  
language relative to Landlord:

This Deed of Trust is being executed by Hill Development Corporation only for the purpose of encumbering its reversionary interest in the real property being encumbered by this Deed of Trust, and does not create any personal liability pursuant to the Note secured hereby.

6. Binding Effect.

All other provisions of the Lease Agreement and the Addendum to the Lease dated November 13, 1978, which are not in conflict with this Addendum, shall remain in full force and effect.

IN WITNESS WHEREOF, this Addendum was entered into between the Landlord and the Tenant on the 24<sup>th</sup> day of March, 1979.

HILLCREST CORPORATION,  
a Colorado Corporation

BY J. Dale Duncan  
J. Dale Duncan, President



Winston A. Parker, Secretary

HILL DEVELOPMENT CORPORATION,  
a Delaware Corporation

BY Lyle Hill  
President



Lambert