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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

BENNION & DEVILLE FINE HOMES, INC., a California corporation, BENNION & DEVILLE FINE HOMES SOCAL, INC., a California corporation, WINDERMERE SERVICES SOUTHERN CALIFORNIA, INC., a California corporation,

Plaintiffs,

v.

WINDERMERE REAL ESTATE SERVICES COMPANY, a Washington corporation; and DOES 1-10

Defendant.

AND RELATED COUNTERCLAIMS

Case No. 5:15-CV-01921 R (KKx)

Hon. Manual L. Real

DECLARATION OF KEVIN A. ADAMS IN SUPPORT OF THE B&D PARTIES' OPPOSITION TO WSC'S MOTION IN *LIMINE* TO EXCLUDE EVIDENCE RELATED TO ITS OFFER TO PURCHASE PLAINTIFFS AND COUNTER-DEFENDANTS

Date:	May 15, 2017
Time:	10:00 a.m.
Courtroom:	880
Action Filed:	September 17, 2015
Trial:	May 30, 2017

I, Kevin A. Adams, state as follows:

1. I am one of the attorneys of record for Plaintiffs/Counter-Defendants Bennion & Deville Fine Homes, Inc., Bennion & Deville Fine Homes SoCal, Inc., Windermere Services Southern California, Inc., and Counter-Defendants Robert L. Bennion and Joseph R. Deville (collectively, the "B&D Parties") in the above-named action. I am a member in good standing of the State Bar of California, and duly admitted to practice law before all of the courts of the State of California, including the United States District Court, Central District of California and the United States Court of Appeals for the Ninth Circuit. I make this Declaration in support of the B&D Parties Opposition to Defendant/Counter-Plaintiff Windermere Real Estate Services Company's ("WSC") Motion in *Limine* requesting an order excluding evidence of offers WSC and/or its principals' made to purchase B&D Fine Homes, B&D SoCal and Services SoCal (collectively, the "B&D Entities").

2. As counsel for the B&D Parties, I am intimately familiar with the discovery that has taken place in this action, including the written discovery, documents produced, and deposition testimony. The written discovery requests, responses, and deposition transcripts have all been reviewed by me and are maintained at my office.

3. On July 27, 2015 and August 2, 2015 WSC made comprehensive offers to purchase the B&D Entities. These offers are set forth in exhibits 249 and 250, true and correct copies of which are attached hereto as **Exhibit A** and **Exhibit B**. These were offers to buy the businesses and were not associated with the litigation that was to later ensue.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct and that this Declaration was executed this 24th day of April, 2017 in Irvine, California.

/s/ Kevin A. Adams
Kevin A. Adams

EXHIBIT A

Jill Jacobi Wood
5017 NE Laurelcrest Lane
Seattle, WA 98105

July 28, 2015

Bob Bennion and Bob Deville
71-691 Highway 111
Rancho Mirage, California 92270

RE: Letter of Intent with Selective Binding Terms

Dear Bob and Bob:

This Letter of Intent with Selective Binding Terms is to confirm the mutual intention of Jill Jacobi Wood, John O. Jacobi ("OB"), Catherine Jacobi, and Molly Jacobi Pitts (collectively the "Buyer"), and Bob Bennion and Bob Deville (collectively, the "Seller"), who are the sole owners and stockholders of Bennion & Deville Fine Homes, Inc. ("B&D"), Bennion & Deville Fine Homes SoCal, Inc. ("B&DSC") and Windermere Services Southern California, Inc. ("WSSoCal") (collectively, the "Companies"), as follows:

1. **Description of Transaction.** Seller will sell, and Buyer will purchase, all the outstanding capital stock of the Companies, and all subsidiaries of each pursuant to a "Stock Purchase Agreement," except as otherwise noted herein, in consideration for $13,500,000 (the "Purchase Price"), payable as follows:

A. $9 Million (the "Initial Payment") as of the Closing Date, comprised of the following components:

(1) $7,903,502 cash; and

(2) $1,096,498 credit towards the payoff of the following:

(a) The "Coast Note" in the amount of $230,530;

(b) The "Coachella Valley Note" in the amount of $219,701; and

(c) The payment of all accumulated royalties, technology fees, service fees and all other amounts owed to Windermere Services Co. by Seller, the Companies, or any of them or any of their affiliates, in the amount of $646,267 (collectively, the "Aggregate Franchise Fees").

(3) The amounts stated above are based on balances of loans and fees as of July 27, 2015, and reflect franchise and other fees reported through May 2015 only. Seller and Buyer will make the final allocation of the Initial Payment at the Closing, based on the then current balance of each component, including franchise and other fees for June and July 2015, to be reported by Seller as soon as possible.

B. (1) $4.1 Million, payable pursuant to a negotiable note (the "Note") as follows:

(a) $900,000, payable on or before August 15, 2016;

(b) $900,000, payable on or before August 15, 2017;

(c) $900,000, payable on or before August 15, 2018; and

(d) $1.4 Million, payable on or before August 15, 2019.

(2) The Note will not bear interest if all installments are paid timely. The entire balance of the Note will be due and payable in full upon any default (after ten days' notice of right to cure). If during the term of the Note the Buyer sells all or substantially all of the stock or assets of the Companies, then the Note shall bear interest thereafter at the Bank of America prime rate, plus two percent.

(3) In addition to the foregoing, a late payment of $35,000 will apply to any installment not paid within ten days after the respective due date.

(4) The Stock Purchase Agreement and the Note will be guaranteed jointly and severally by Jill Wood, John O. Jacobi, Catherine Jacobi and Molly Jacobi Pitts (collectively, the "Buyer's Guarantors") and will be secured by a stock pledge (to be held by an independent escrow company or bank) of all of the stock of the Companies until the Note is paid in full.

C. $400,000 to be paid as salary to the Sellers over a period of four years, as set forth below.

D. For federal income tax purposes Seller agrees that at Buyer's discretion an election may be filed to treat the transaction as an asset purchase, provided that the purchase price would be increased as necessary to offset any adverse tax consequences to the Seller.

2. **Accuracy of Financial Statements.** The terms set forth in this Letter of Intent are based on the parties' assumption that the unaudited financial statements provided by Seller fairly represent the Companies' financial condition at that time and the results of its operations for the reported periods.

3. **The Closing Date.** The parties will agree that the acquisition will be consummated as soon as practicable, but no later than August 15, 2015 (the "Closing Date").

4. **Conduct of Business before the Closing Date.** Before the Closing Date, the Companies will conduct business in the ordinary course consistent with previous practices and will make no dividend or stock repurchase distributions, except as approved by Buyer in the Stock Purchase Agreement.

5. **Repayment of Loans and Releases.**

A. On the Closing Date, all loans and other obligations of the Companies, including those between the Companies and their shareholders, directors and officers will be paid in full, except for the leases of certain vehicles as identified in the Stock Purchase Agreement.

B. On the Closing Date, Seller, Buyer, Windermere Services Co. and the Companies will enter into mutual releases, under which each of the parties will release one another for all prior claims, including, without limitation, claims for breaches of any agreement and claims arising out of or relating to any personal guarantees, excluding all future obligations arising under the Stock Purchase Agreement, the Note and all transactions related thereto.

6. **Definitive Agreement.** Except as otherwise stated herein, all terms and conditions concerning the acquisition will be stated in a definitive agreement subject to the approval of the parties, acting on advice of counsel. The terms and conditions of the Stock Purchase Agreement and related agreements will be usual and customary in a transaction of this nature, provided that all warranties and representations of Seller and the Companies will be based on the best of knowledge of Seller and the Companies, except for warranty of title of the stock to be transferred. Seller will have no personal liability related to the obligations or business of the Companies.

7. **Affiliates of the Companies and Seller.** Seller will use Seller's best commercial efforts to transfer and assign all of its ownership interests in CV Escrow, SoCal Direct Lending, and Orange Coast Title (collectively the "Ancillary Businesses") to Buyer for no additional consideration payable by Buyer. Seller acknowledges that the purchase price stated above was based on the assumption that the Ancillary Businesses would be included. Buyer acknowledges that Seller's right to transfer or assign its ownership interests in the Ancillary Businesses may be subject to various restrictions and third party rights of first refusal. If Seller is precluded from transferring its ownership interests in any of the Ancillary Businesses, then the purchase price stated above shall be reduced by an amount based on the value of the income stream associated with the Ancillary Business(es) which cannot be transferred. If Buyer and

Seller are unable to agree on the value of the income stream or the corresponding price reduction, then Buyer and Seller shall each choose a business appraiser to provide an opinion of the appropriate price reduction associated with the lost income stream. The two appraisers' opinions shall be averaged, and the purchase price reduced accordingly. The price reduction shall be applied to the Note only, and not to the initial payments. Seller and Buyer will agree that the transfer of Seller's interest in the Ancillary Businesses to Buyer will not be a condition to closing the Stock Purchase Agreement.

8. The Companies' Office Facilities.

A. Buyer acknowledges that under several of the office leases under which one or more of the Companies is a tenant, the respective landlord has the right to approve a new tenant or approve any change in control, and that under several of such office leases, Bob Bennion and/or Bob Deville have, or has, provided personal guarantees. Seller and Buyer will use commercial best efforts to obtain all necessary landlord consents to the proposed transfers and to secure releases of the personal guarantees by Bob Bennion and Bob Deville. Seller and Buyer acknowledge that securing the consents of the various landlords and the releases of personal guarantees of Bob Bennion and Bob Deville will not be a condition to closing the Stock Purchase Agreement. In the event Buyer cannot obtain the release of the personal guarantees of Bob Bennion and Bob Deville under any lease, Buyer and Buyer's Guarantors, jointly and severally, will indemnify, defend and hold harmless Bob Bennion and Bob Deville from any and all liability, obligations and claims arising out of or relating to the subject leases and the personal guarantees by Bob Bennion and Bob Deville.

B. Buyer acknowledges that two of the office facilities, located at 71-691 Highway 111, Rancho Mirage, California 92210 and 850 North Palm Canyon Drive, Palm Springs, California 92262, are in commercial office buildings owned by Seller and Seller's affiliates and partners. The parties agree to execute new leases for those two locations at Closing, with rent at market rate fixed for five years each, and with two options to extend for additional five year terms, with rent reset to market rate at the start of each term extension. If the parties are unable to agree on market rent, then each party shall retain its own appraiser to provide an opinion of market rent. The opinions of the two appraisers shall be averaged, and the resulting rent rate shall be the "market rate" for purposes of this provision. In no event may the resulting "market rate" be greater than the rent provided for in the current leases in effect prior to the appraisals.

9. Employment Agreements; Indemnification.

A. Concurrent with the closing of the Stock Purchase Agreement, the Companies will enter into employment agreements (the "Employment Agreements") with Bob Bennion at an annual salary of $25,000 per year and with Bob Deville with an annual salary of $75,000. Each Employment Agreement will provide for medical

insurance and other benefits commensurate with those provided to all employees of the Companies, which shall be subject to change from time to time by the Companies' Boards of Directors.

B. The Employment Agreements will specify that Bob Deville will have authority and responsibility to manage the Companies' business consistent with the policies and guidelines established by the Companies' Boards of Directors, which shall be subject to change from time to time.

C. Buyer, Buyer's Guarantors and the Companies will indemnify, defend and hold Bob Bennion and Bob Deville harmless to the maximum limit allowed by law with respect to all obligations, liability and claims related to the business conducted by Buyer, Buyer's affiliates and/or the Companies. Buyer will amend the Bylaws of each of the Companies and all of their affiliates to permit the maximum indemnification allowed by law. Provided that the hold harmless and indemnity provisions shall apply only to claims arising from actions taken in good faith by Bennion and Deville within the scope of their duties for the Companies, and shall exclude any claims based on intentionally wrongful conduct, or conduct outside the scope of employment / authority.

D. Buyer agrees that the Companies may not terminate the Employment Agreement of either Bob Bennion or Bob Deville until all amounts owed under the Stock Purchase Agreement and the Note have been paid in full. Bob Deville's duties to the Companies shall be subject to change by the Boards of Directors, but even if relieved of all duties, Bob Deville shall continue to be provided the salary and benefits contemplated by the Employment Agreement until all amounts owing under the Stock Purchase Agreement and the Note have been paid in full.

E. Subject to a budget approved in advance, the Companies will pay reasonable business-related expenses for the private airplane used by Bob Bennion and Bob Deville, including the pilot's compensation and fuel. Bob Bennion and Bob Deville will be responsible for all hangar fees, maintenance expenses, and all expenses related to their personal use of the airplane. Neither Buyer nor the Companies will have any ownership interest in the airplane, which shall be excluded from the Stock Purchase Agreement.

F. In addition to the Employment Agreements, Bob Bennion and Bob Deville will execute Firm-Broker Agreements with a Windermere Real Estate franchisee of their choice in Seattle, Washington for a period of four years from the Closing of the Stock Purchase Agreement. Provided, that Bob Bennion and Bob Deville may terminate the Firm-Broker Agreements upon any default by Buyer under the Stock Purchase Agreement, the Note or the Employment Agreements. During the term of the Firm-Broker Agreements, Bob Bennion and Bob Deville will each cooperate with the reasonable requests of Windermere Services Co. in supporting the Windermere brand and its programs and initiatives.

10. **Agreements not to Compete.** As material consideration for the Buyer's agreement to enter into the Stock Purchase Agreement, Note, and related agreements, Bob Bennion and Bob Deville will execute at closing formal Non-Compete Agreements, prohibiting Bob Bennion and Bob Deville from engaging in any real estate brokerage activity, except pursuant to the Employment Agreements and Firm-Broker agreements described above, in any state, including specifically the states of California and Washington, where any Windermere Real Estate office is then located. Each of the Non-Compete Agreements will be for a term of four years from the Closing Date, provided that Bob Bennion and Bob Deville each has the right to terminate the Non-Compete Agreements upon any default by Buyer under the Stock Purchase Agreement, the Note, or the Employment Agreements.

11. **Parties' Agreement.** Seller and Buyer by this Letter of Intent mutually agree that:

A. **Confidentiality.** They will keep in strict confidence any confidential or proprietary matters (except publicly available or freely usable material as otherwise obtained from another source) respecting either party until, and including, the Closing of the Stock Purchase Agreement. Buyer acknowledges that Buyer and Buyer's representatives continue to be bound by the terms of the Confidentiality Agreements previously executed with Seller and the Companies, except Seller may explain to other prospective purchasers that it is suspending further negotiations.

B. **Publicity.** Neither party will issue any public announcement about the transaction without the approval of the other party, except as required by law (it being noted that the parties have mutually approved a public announcement to be issued simultaneously with this Letter of Intent).

C. **Fees and Expenses.** Each party will pay the legal and other fees and expenses incurred by it with respect to the transaction, whether or not a closing occurs.

D. **No Broker or Finder's Fees.** Seller and Buyer each represents to the other that no broker has been retained by either party to the proposed transaction.

E. **Buyer's Investigation.** Until further negotiations are terminated, Buyer may make a reasonable investigation of Seller's business on a confidential basis.

F. **No Shop Agreement.**

(1) Seller agrees to work in good faith with Buyer towards a closing. Buyer acknowledges that Seller has been actively negotiating with a third party to purchase all of Seller's enterprises and that Seller has received draft agreements for a proposed sale. Nevertheless, Seller agrees to suspend negotiations with the proposed

purchaser, as well as with any other proposed purchasers. Accordingly, Seller agrees that it will not in the future, directly or indirectly, (i) take any further action to solicit, initiate, encourage or assist in the submission of any proposal, negotiation or offer from any person or entity other than Buyer relating to the sale or issuance of any of the capital stock of the Companies or the acquisition, sale, lease, license or other disposition of the Companies or any material part of the stock or assets of the Companies; or (ii) enter into any further substantive discussions, negotiations or execute any agreement related to any of the foregoing, and will notify Buyer promptly of any new inquiries by any third parties in regards to the foregoing. If both parties agree that definitive documents will not be executed between Seller and Buyer, then Seller will have no further obligations under this Paragraph

(2) In consideration of Seller's agreement to the foregoing No Shop Agreement and of Seller's agreement to suspend any pending negotiations regarding the sale of the stock of the Companies, Windermere Services Co. agrees, upon full execution of this Letter of Intent by all parties, to forgive all obligations under the Liquidated Damages Clause contained in Paragraph 3.F of the "Agreement Modifying Windermere Real Estate Franchise License Agreements," dated December 18, 2012. Upon full execution of this Letter of Intent said provision is waived and is of no further force or effect, and neither Seller nor the Companies will have any further liability thereunder.

G. **Rights Reserved.** Seller, Buyer, Windermere Services Co. and the Companies acknowledge that if the transaction contemplated by the proposed Stock Purchase Agreement is not consummated, each party reserves all rights, except as to those matters within this Letter of Intent that are intended to be binding and enforceable.

H. **Investment Intent; Securities Compliance.** Buyer acknowledges that the stock of each of the Companies has not been registered with the Securities and Exchange Commission or with any state securities regulatory agency, including the California Department of Business Oversight, and that the consummation of the Stock Purchase Agreement and the sale and transfer of any stock thereunder are subject to compliance with applicable federal and state securities laws and regulations related thereto. Buyer represents that Buyer is entering into the proposed transactions with the intent of acquiring and holding all stock for its own account and without any intention for the redistribution thereof.

12. **Nature of Letter of Intent with Selective Binding Terms.**

A. Except for the agreements stated in Paragraphs 11.A through 11.H, there is no legally binding or enforceable contract between the parties pertaining to the subject matter of this Letter of Intent, and statements of intent or understandings in this Letter of Intent do not constitute an offer, acceptance or legally binding agreement and

do not create any rights or obligations for, or on the part of, any party to this Letter of Intent.

B. Notwithstanding any other provisions set forth herein, Seller and Buyer agree that the terms, conditions and covenants set forth in Paragraphs 11.A through 11.H constitute a legal and enforceable contract between Seller and Buyer, and for purposes of Paragraph 11(f)(2) only, between Seller, the Companies and Windermere Services Co.

The foregoing Letter of Intent With Selective Binding Terms is confirmed, including the binding and enforceable terms set forth in Paragraphs 11.A – 11.H., on this day 28th of July 2015:

"Buyer"

Jill Jacobi Wood, on behalf of herself and
John O. Jacobi, Catherine Jacobi and Molly Jacobi Pitts

AGREED AND APPROVED BY
Windermere Real Estate Services Company

By Jill Jacobi Wood, its President

"Seller"

Bob Bennion

Bob Deville

cc: Paul S. Drayna, Esq., Gerard P. Davey, Esq.

EXHIBIT B

Jill Jacobi Wood
5017 NE Laurelcrest Lane
Seattle, WA 98105

August 2, 2015

Bob Bennion and Bob Deville
71-691 Highway 111
Rancho Mirage, California 92270

RE: Letter of Intent with Selective Binding Terms

Dear Bob and Bob:

This Letter of Intent with Selective Binding Terms is to confirm the mutual intention of Jill Jacobi Wood, John O. Jacobi ("OB"), Catherine Jacobi, and Molly Jacobi Pitts (collectively the "Buyer"), and Bob Bennion and Bob Deville (collectively, the "Seller"), who are the sole owners and stockholders of Bennion & Deville Fine Homes, Inc. ("B&D"), Bennion & Deville Fine Homes SoCal, Inc. ("B&DSC") and Services Southern California, Inc. ("WSSoCal") (collectively, the "Companies"), as follows:

1. **Description of Transaction.** Seller will sell, and Buyer will purchase, all the outstanding capital stock of the Companies, and all subsidiaries of each pursuant to a "Stock Purchase Agreement," except as otherwise noted herein, in consideration for $13,500,000 (the "Purchase Price"), payable as follows:

A. $9 Million (the "Initial Payment") as of the Closing Date, comprised of the following components:

(1) $7,931,769 cash; and

(2) $1,068,231 credit towards the payoff of the following:

(a) The "Coast Note" in the amount of $230,530;

(b) The "Coachella Valley Note" in the amount of $219,701; and

(c) The payment of all accumulated royalties, technology fees, service fees and all other amounts owed to Windermere Real Estate Services Co. ("WSC") by Seller, the Companies, or any of them or any of their affiliates, in the

amount of $618,000 (collectively, the "Aggregate Franchise Fees") (All interest and late fees in the amount of $85,781 will be waived.);

(3) The amounts stated above are based on balances of loans and fees as of July 27, 2015, and reflect franchise and other fees reported through May 2015 only. Seller and Buyer will make the final allocation of the Initial Payment at the Closing, based on the then current balance of each component, including franchise and other fees for June and July 2015, to be reported by Seller as soon as possible.

B. (1) $4.5 Million, payable pursuant to a negotiable note (the "Note") as follows:

(a) $1.5 Million, payable on or before August 15, 2016;

(b) $1 Million, payable on or before August 15, 2017;

(c) $1 Million, payable on or before August 15, 2018; and

(d) $1 Million, payable on or before August 15, 2019.

(2) The Note will not bear interest if all installments are paid timely. The entire balance of the Note will be due and payable in full upon the sale of a majority of the stock of the Companies, or the assets of the Companies, or otherwise as a result of a transaction that effects a change of control in the Companies; or upon any other transaction that materially diminishes the security interest of Seller in the Company; or upon any default (after ten days' notice of right to cure). If during the term of the Note Buyer sells all or substantially all of the stock or assets of the Companies, then the Note will bear interest thereafter at the Bank of America prime rate, plus two percent.

(3) (a) If at any time prior to the payment in full of the Note Buyer seeks to sell any portion of the stock of the Companies; to sell any assets owned by the Companies (except for the sale of assets in the ordinary course of business; this exception does not apply to the sale, assignment or franchising of any offices of the Companies); or to issue any stock or other equity interests in the Companies that is less than a majority interest, as a condition to Seller's partial release of collateral, Buyer will pay Seller an amount equal to the greater of 75% of the total consideration received in connection with each transaction or $250,000. All such payments will reduce the principal amount of the Note, but the sale, assignment or franchising of any office of the Companies (or any interest in any such office) will not affect the amount payable on any installment payment.

(b) Buyer will agree that any trade name or corporate name including the words "Bennion" or "Deville," or both words, may not be assigned, sold, transferred or licensed to any third party. Buyer agrees to implement reasonable procedures to apprise the public that the Companies are no longer owned by Bob Bennion and Bob Deville. Upon the termination of the Employment Agreements, the Companies will within 180 days cease using either of the words "Bennion" or "Deville" in any trade name, trademark or corporate name.

(4) In addition to the foregoing, a late payment of $35,000 will apply to any installment not paid within ten days after the respective due date.

(5) The Stock Purchase Agreement and the Note will be guaranteed jointly and severally by Jill Wood, John O. Jacobi, Catherine Jacobi and Molly Jacobi Pitts (collectively, the "Buyer's Guarantors") and will be secured by a stock pledge (to be held by an independent escrow company or bank) of all of the stock of the Companies until the Note is paid in full.

C. Notwithstanding that for purposes of corporate and contract law, the Stock Purchase Agreement will be a "stock purchase agreement" (and/or membership purchase agreement as to any of the Companies that is a limited liability company) and not an "asset purchase agreement," for federal income tax purposes, Seller agrees that at Buyer's discretion an election may be filed to treat the transaction as an asset purchase (pursuant to Internal Revenue Code Section 338(h)(10)), provided that the purchase price would be increased, as necessary, to offset any adverse tax consequences to Seller. Seller and Buyer will cooperate to file all tax returns consistent with Buyer's election.

2. **Accuracy of Financial Statements.** The terms set forth in this Letter of Intent are based on the parties' assumption that the unaudited financial statements provided by Seller fairly represent the Companies' financial condition at that time and the results of its operations for the reported periods.

3. **The Closing Date.** The parties will agree that the acquisition will be consummated as soon as practicable, but no later than August 15, 2015 (the "Closing Date").

4. **Conduct of Business before the Closing Date.** Before the Closing Date, the Companies will conduct business in the ordinary course consistent with previous practices and will make no dividend or stock repurchase distributions, except as approved by Buyer in the Stock Purchase Agreement.

5. **Repayment of Loans and Releases.**

A. On the Closing Date, all loans and other obligations of the Companies, including those between the Companies and their shareholders, directors, officers, members and managers, will be paid in full, except for the leases on certain vehicles, as identified in the Stock Purchase Agreement, and except for office leases, furniture and equipment leases, service contracts and other customary trade payables, all of which will be prorated and paid current, along with revenue items, through the Closing Date.

B. On the Closing Date, Seller, Buyer, WSC, the Companies and all of their respective affiliates will enter into mutual releases, under which each of the parties will release one another for all prior claims and obligations arising from or related to all prior agreements or business dealings among the parties, including, without limitation, termination of all franchise agreements, servicing agreements, loan agreements and all related agreements (collectively, the "Prior Agreements"). Additionally, as of the Closing Date, Seller will be released from all personal guarantees related to the Prior Agreements. The releases will exclude all future obligations arising under the Stock Purchase Agreement, the Note, all future transactions and all transactions related to any of the foregoing.

6. **Definitive Agreement.** Except as otherwise stated herein, all terms and conditions concerning the acquisition will be stated in a definitive agreement subject to the approval of the parties, acting on advice of counsel. The terms and conditions of the Stock Purchase Agreement and related agreements will be usual and customary in a transaction of this nature, provided that all warranties and representations of Seller and the Companies will be based on the best of knowledge of Seller and the Companies, except for warranty of title of the stock to be transferred. Seller will have no personal liability related to the obligations or business of the Companies.

7. **Affiliates of the Companies and Seller.**

A. Seller will use Seller's best commercial efforts to transfer and assign all of its ownership interests in CV Escrow and SoCal Direct Lending and all of the other affiliated businesses engaged in the mortgage, escrow or insurance business (excluding Orange Coast Title) (collectively the "Ancillary Businesses") to Buyer for no additional consideration payable by Buyer. Seller acknowledges that the purchase price stated above was based on the assumption that the Ancillary Businesses would be included. Buyer acknowledges that Seller's right to transfer or assign its ownership interests in the Ancillary Businesses may be subject to various restrictions and third party rights of first refusal. If Seller is precluded from transferring its ownership interests in any of the Ancillary Businesses, then the purchase price stated above will be reduced by an amount based on the value of the income stream associated with the Ancillary Business(es) that cannot be transferred. If Buyer and Seller are unable to agree on the

value of the income stream or the corresponding price reduction, then Buyer and Seller will each choose a business appraiser to provide an opinion of the appropriate price reduction associated with the lost income stream. The two appraisers' opinions will be averaged, and the purchase price reduced accordingly. The price reduction will be applied to the Note only, and not to the initial payments.

B. Seller and Buyer will agree that the transfer of Seller's interest in the Ancillary Businesses to Buyer will not be a condition to closing the Stock Purchase Agreement. Seller and Buyer acknowledge that Seller's interest in Orange Coast Title is not part of the Stock Purchase Agreement, but which interest may be the subject of a separate, independent agreement. Within six months after the Closing Date, Seller will divest its interest in Orange Coast Title. Seller acknowledges that as part of the duties under the "Employment Agreements," Seller will assist Buyer (at Buyer's expense) in establishing a new affiliation with another title insurance company.

8. The Companies' Office Facilities.

A. Buyer acknowledges that under several of the office leases under which one or more of the Companies is a tenant, the respective landlord has the right to approve a new tenant or approve any change in control, and that under several of such office leases, Bob Bennion and/or Bob Deville have, or has, provided personal guarantees. Seller and Buyer will use commercial best efforts to obtain all necessary landlord consents to the proposed transfers and to secure releases of the personal guarantees by Bob Bennion and Bob Deville. Seller and Buyer acknowledge that securing the consents of the various landlords and the releases of personal guarantees of Bob Bennion and Bob Deville will not be a condition to closing the Stock Purchase Agreement. In the event Buyer cannot obtain the release of the personal guarantees of Bob Bennion and Bob Deville under any lease, Buyer and Buyer's Guarantors, jointly and severally, will indemnify, defend and hold harmless Bob Bennion and Bob Deville from any and all liability, obligations and claims arising out of or relating to the subject leases and the personal guarantees by Bob Bennion and Bob Deville.

B. Buyer acknowledges that two of the office facilities, located at 71-691 Highway 111, Rancho Mirage, California 92210 and 850 North Palm Canyon Drive, Palm Springs, California 92262, are in commercial office buildings owned by Seller and Seller's affiliates and partners. The parties agree to execute new leases for those two locations at Closing, with rent at market rate fixed for five years each with a cumulative 3% per annum increase, and with one option to extend for an additional five year term, with rent reset to market rate at the start of the term extension. If the parties are unable to agree on market rent, then each party will retain its own qualified appraiser familiar with the market to provide an opinion of market rent. The opinions of the two appraisers will be averaged, and the resulting rent rate will be the "market rate" for purposes of this provision.

9. Employment Agreements; Indemnification.

A. Concurrent with the closing of the Stock Purchase Agreement, the Companies will enter into employment agreements (the "Employment Agreements") with Bob Bennion and Bob Deville with an annual base salary of $200,000, allocated between Bob Bennion and Bob Deville as they may elect. In addition, the Employment Agreements will provide for a bonus of 10% of the Companies' combined net income, payable annually and allocated between Bob Bennion and Bob Deville, as they elect. "Net income" will exclude all intercompany charges, management fees, corporate overhead fees and other consolidating expenses.

B. Each Employment Agreement will provide for medical insurance and other benefits commensurate with those provided to all employees of the Companies, which will be subject to change from time to time by the Companies' Boards of Directors. Buyer will make best efforts to keep the current medical insurance plan (or comparable plan) in place until its next renewal, at which time, it is anticipated that the Companies will become part of the WSC control group and will have the same medical insurance benefits as provided to all employees of WSC.

C. The Employment Agreements will specify that Bob Deville will have the authority and responsibility to manage the Companies' business (in Southern California only) consistent with the policies and guidelines established by the Companies' Boards of Directors, which will be subject to change from time to time. Bob Deville will report directly to Jill Jacobi Wood, Geoff Wood or John O. ("OB") Jacobi.

D. Buyer, Buyer's Guarantors and the Companies will indemnify, defend and hold Bob Bennion and Bob Deville harmless to the maximum limit allowed by law with respect to all obligations, liability and claims related to the business conducted by Buyer, Buyer's affiliates and/or the Companies. Buyer will amend the Bylaws of each of the Companies and all of their affiliates to permit the maximum indemnification allowed by law. Provided that the hold harmless and indemnity provisions will apply only to claims arising from actions taken in good faith by Bennion and Deville within the scope of their duties for the Companies, and will exclude any claims based on intentionally wrongful conduct.

E. Buyer agrees that the Companies may not terminate the Employment Agreement of either Bob Bennion or Bob Deville until all amounts owed under the Stock Purchase Agreement and the Note have been paid in full. Bob Deville's duties to the Companies will be subject to change by the Boards of Directors, but even if relieved of all duties, Bob Deville will continue to be provided the salary and benefits contemplated by the Employment Agreement until all amounts owing under the Stock Purchase Agreement and the Note have been paid in full. Bob Bennion and/or Bob Deville may

terminate his Employment Agreement without cause after three years, in which case, the Companies would no longer be obliged to pay any salary to the terminated employee.

F. Subject to an annual budget approved in advance, the Companies will pay reasonable business-related expenses for the private airplane used by Bob Bennion and Bob Deville, including the pilot's compensation and fuel. Bob Bennion and Bob Deville will be responsible for all hangar fees, maintenance expenses, and all expenses related to their personal use of the airplane. Neither Buyer nor the Companies will have any ownership interest in the airplane, which will be excluded from the Stock Purchase Agreement.

G. The Employment Agreements will have an initial term of one year and may not be terminated by either party without cause during the initial term. The Employment Agreements may be extended upon the mutual written agreement of the parties.

H. In addition to the Employment Agreements, Bob Bennion and Bob Deville will execute Firm-Broker Agreements with a Windermere Real Estate franchisee of their choice in Seattle, Washington for a period of four years from the Closing of the Stock Purchase Agreement, provided that Bob Bennion and Bob Deville may terminate the Firm-Broker Agreements upon any default by Buyer under the Stock Purchase Agreement, the Note or the Employment Agreements. During the term of the Firm-Broker Agreements (provided reasonable notice is given and requested activities do not conflict with any personal or professional plans or commitments of Bob Bennion or Bob Deville), Bob Bennion and Bob Deville will each cooperate with the reasonable requests of WSC in supporting the Windermere brand and its programs and initiatives. WSC will be responsible for all expenses incurred by Bob Bennion and Bob Deville in connection with such activities.

10. **Agreements not to Compete.** As material consideration for Buyer's agreement to enter into the Stock Purchase Agreement, the Note and the related agreements, Bob Bennion and Bob Deville will execute at closing formal Non-Compete Agreements, prohibiting Bob Bennion and Bob Deville from engaging in any real estate brokerage activity (defined to include any activity for which a real estate broker's license is required from any of the licensing authorities in Washington, Oregon or California), mortgage lending or brokerage, escrow, title insurance or other real estate related insurance business, except pursuant to the Employment Agreements and the Firm-Broker Agreements described above, in the States of Washington, Oregon and California. Each of the Non-Compete Agreements will be for a term of four years from the Closing Date, provided that Bob Bennion and Bob Deville each has the right to terminate the Non-Compete Agreements upon any default by Buyer under the Stock Purchase Agreement, the Note, the Employment Agreements or the termination of either of their respective Firm-Broker Agreements without the reasonable opportunity to

continue as a real estate broker with WSC or other of its franchisees in the Seattle, Washington market.

11. **Parties' Agreement.** Seller and Buyer by this Letter of Intent mutually agree that:

A. **Confidentiality.** They will keep in strict confidence any confidential or proprietary matters (except publicly available or freely usable material as otherwise obtained from another source) respecting either party until, and including, the Closing of the Stock Purchase Agreement. Buyer acknowledges that Buyer and Buyer's representatives continue to be bound by the terms of the Confidentiality Agreements previously executed with Seller and the Companies, except Seller may explain to other prospective purchasers that it is suspending further negotiations.

B. **Publicity.** Neither party will issue any public announcement about the transaction without the approval of the other party, except as required by law (it being noted that the parties will have mutually approved a public announcement to be issued simultaneously with this Letter of Intent, which will inform the public as to the new ownership/management structure of the Companies).

C. **Fees and Expenses.** Each party will pay the legal and other fees and expenses incurred by it with respect to the transaction, whether or not a closing occurs.

D. **No Broker or Finder's Fees.** Seller and Buyer each represents to the other that no broker has been retained by either party to the proposed transaction.

E. **Buyer's Investigation.** Until further negotiations are terminated, Buyer may make a reasonable investigation of Seller's business on a confidential basis.

F. **No Shop Agreement.**

(1) Seller agrees to work in good faith with Buyer towards a closing. Buyer acknowledges that Seller has been actively negotiating with a third party to purchase all of Seller's enterprises and that Seller has received draft agreements for a proposed sale. Nevertheless, Seller agrees to suspend negotiations with the proposed purchaser, as well as with any other proposed purchasers. Accordingly, Seller agrees that it will not in the future, directly or indirectly, (i) take any further action to solicit, initiate, encourage or assist in the submission of any proposal, negotiation or offer from any person or entity other than Buyer relating to the sale or issuance of any of the capital stock of the Companies or the acquisition, sale, lease, license or other disposition of the Companies or any material part of the stock or assets of the Companies; or (ii) enter into any further substantive discussions, negotiations or execute any agreement related to any of the foregoing, and will notify Buyer promptly of

any new inquiries by any third parties in regards to the foregoing. If both parties agree that definitive documents will not be executed between Seller and Buyer, then Seller will have no further obligations under this Paragraph

(2) In consideration of Seller's agreement to the foregoing No Shop Agreement and of Seller's agreement to suspend any pending negotiations regarding the sale of the stock of the Companies, WSC agrees, upon full execution of this Letter of Intent by all parties, to forgive all of the Aggregate Franchise Fees, and all interest and late fees associated therewith.

G. **Rights Reserved.** Seller, Buyer, WSC and the Companies acknowledge that if the transaction contemplated by the proposed Stock Purchase Agreement is not consummated, each party reserves all rights, except as to those matters within this Letter of Intent that are intended to be binding and enforceable.

H. **Investment Intent; Securities Compliance.** Buyer acknowledges that the stock of each of the Companies has not been registered with the Securities and Exchange Commission or with any state securities regulatory agency, including the California Department of Business Oversight, and that the consummation of the Stock Purchase Agreement and the sale and transfer of any stock thereunder are subject to compliance with applicable federal and state securities laws and regulations related thereto. Buyer represents that Buyer is entering into the proposed transactions with the intent of acquiring and holding all stock for its own account and without any intention for the redistribution thereof.

12. **Nature of Letter of Intent with Selective Binding Terms.**

A. Except for the agreements stated in Paragraphs 11.A through 11.H, there is no legally binding or enforceable contract between the parties pertaining to the subject matter of this Letter of Intent, and statements of intent or understandings in this Letter of Intent do not constitute an offer, acceptance or legally binding agreement and do not create any rights or obligations for, or on the part of, any party to this Letter of Intent.

B. Notwithstanding any other provisions set forth herein, Seller and Buyer agree that the terms, conditions and covenants set forth in Paragraphs 11.A through 11.H constitute a legal and enforceable contract between Seller and Buyer, and for purposes of Paragraph 11(F)(2) only, between Seller, the Companies and WSC.

The foregoing Letter of Intent With Selective Binding Terms is confirmed, including the binding and enforceable terms set forth in Paragraphs 11.A – 11.H., on this day ____ of August 2015:

"Buyer"

_____
Jill Jacobi Wood, on behalf of herself and
John O. Jacobi, Catherine Jacobi and Molly Jacobi Pitts

AGREED AND APPROVED BY:

Windermere Real Estate Services Co.

_____
By Jill Jacobi Wood, its President

"Seller"

_____
Bob Bennion

_____
Bob Deville

cc: Paul S. Drayna, Esq., Gerard P. Davey, Esq.