



CITY ATTORNEY DENNIS HERRERA NEWS RELEASE

FOR IMMEDIATE RELEASE
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Herrera settles CitiApartments litigation with tough injunctions, up to \$10 million penalty

88-page settlement, Court approved order comprise 'toughest, most detailed injunction to protect tenants in San Francisco history'

SAN FRANCISCO (March 30, 2011)—City Attorney Dennis Herrera today announced the settlement of a contentious four-and-a-half-year legal battle with CitiApartments and its complex web of corporate and individual affiliates with an unprecedented injunction to protect San Francisco tenants, and penalties that could reach as high as \$10 million over the next five years, depending on the defendants' financial condition. San Francisco Superior Court Judge John E. Munter approved the injunction late yesterday, which is part of the 88-page settlement agreement.

Herrera sued the once high-flying rental property behemoth in Aug. 2006 for a stunning array of unlawful business and tenant harassment practices, which often harrowingly dispossessed long-term residents of their rent-controlled apartments. The coerced vacancies freed the landlord to make significant—and almost uniformly unpermitted—renovations to units, and then re-rent them to new tenants at dramatically increased market rates. The illegal business model appears to have enabled CitiApartments, Skyline Realty and other entities under the sway of real estate family patriarch Frank Lembi to aggressively outbid competitors for residential properties throughout San Francisco for several years—before lawsuits and a sharp economic downturn forced the aspiring empire into bankruptcies, foreclosures and receiverships.

“After a years-long legal battle over shocking anti-tenant and anti-competitive practices, we’ve secured the toughest, most detailed injunction to protect tenants in San Francisco history,” said Herrera. “This injunction allows us to aggressively police CitiApartments and its affiliates, now and in the future. It financially punishes the offenders to the extent their assets allow, while assuring additional penalties against their future income. It sends a strong message to would-be mimics of the dire consequences for similar lawlessness, and our resolve to pursue and punish it. But the success of this case doesn’t belong to the City Attorney’s Office alone. It belongs, too, to the San Francisco Department of Building Inspection and the Building Inspection Commission. Perhaps most important, it belongs to all the tenants, activists and journalists who helped provide us with the ammunition necessary to take on the Lembi real estate empire from the start. I’m especially grateful to all the community advocates from ‘CitiStop’ for their tireless efforts.”

Case Background

Herrera’s litigation included extensive evidence gathered through the City Attorney’s Office’s own investigation as well as from the nearly 300 tenants and witnesses who contacted Herrera’s office in the

weeks after he filed suit. The City's case was additionally aided by tenants and witnesses identified in an award-winning investigative series that the *San Francisco Bay Guardian* published in March 2006, and by the aggressive community outreach efforts of a coalition called "CitiStop." That coalition was supported by the San Francisco Tenants Union, the Housing Rights Committee of San Francisco, the San Francisco Labor Council, the Harvey Milk LGBT Democratic Club, the Alice B. Toklas LGBT Democratic Club, the San Francisco Peoples Organization, SEIU Local 790 and St. Peter's Housing Committee, which is now known as Causa Justa.

With the City Attorney's financial investigation ongoing throughout the course of the litigation, and the years-long discovery battle unfolding, Herrera was forced to amend the City's complaint three times to fully capture within the scope of the case the Lembi family's byzantine array of business entities, trusts and partnerships. In fact, in his Third Amended Complaint, Herrera successfully petitioned to include Frank Lembi, Walter Lembi (now deceased) and Lembi nephew David Raynal as individual defendants.

The long-held belief among some real estate observers that the Lembis' unlawful business model was unsustainable was ultimately confirmed by problems that included mounting lawsuits and 2008's severe economic decline, which appears to have been particularly cataclysmic. After nearly four years of legal delay tactics, which included the Lembi defendants' midcourse change in legal counsel, the City's tenacious discovery battle over financial and other records finally culminated last year in some \$50,000 in court ordered sanctions against CitiApartments affiliates for non-compliance. Judge Munter's uncharacteristically harsh order at the time affirmed that the City Attorney's Office had "engaged in substantial, indeed Herculean, efforts to resolve the instant discovery disputes," adding: "In this Court's opinion, plaintiffs' discovery requests have been repeatedly met with obfuscation, delay and meritless objections made by the Corporate Entity Defendants in an effort to avoid providing appropriate discovery." The sanctions strongly signaled the limits of judicial patience, and proved to be a key turning point in the case.

The settlement's financial terms

The total dollar value of assessed penalties is largely contingent on the defendants' financial condition moving forward. The agreement's maximum dollar value could reach \$10 million over the next five years (not counting additional penalties and damages that would accrue for injunctive violations). It could alternatively be as low as \$2 million over the next ten years (plus interest on the outstanding balance of \$1.6 million, and also not counting penalties and damages). Not by accident, the settlement includes a financial incentive that could reduce total penalties to the defendants to approximately one million dollars, with interest. That unprecedented stipulated provision would require all entities controlled by the defendants, now and in the future, to forever cease property management operations within the City and County of San Francisco—permanently and irrevocably.

The defendants made an initial payment for civil penalties in the amount of \$400,000 on March 29, 2011. The corporate entity defendants must additionally pay civil penalties of \$1,600,000, for which payment could be in full, or in installments of no less than \$13,500 per month (together with interest on the balance outstanding of the \$1,600,000 due). The permanent and irrevocable "leave-and-never-come-back" option would require installment payments totaling no less than \$324,000, plus interest, after two years.

Net proceeds from any sale or refinancing among the defendants or their interests within five years will entitle the City to 20 percent of those proceeds up to a total of \$8,000,000. Any failure to report a sale or refinancing would entitle the City to liquidated damages of \$25,000, in addition to a 20 percent of the net proceeds. Any material misrepresentation or omission regarding defendants' interests will be a violation

and entitle the City to additional liquidated damages in the amount equal to 50 percent of each asset defendants failed to disclose. Any violation of the injunctive terms will subject the defendants to civil penalties between \$2,500 and \$6,000 for each violation, and attorneys' fees and costs to enforce.

The settlement's injunctive terms

Given the City's unfortunate history with the defendants' business practices, and their penchant for obfuscatory corporate structure, the City Attorney's Office meticulously negotiated tough, thorough, and enforceable injunctive terms. Those provisions are fully comprised in settlement documents on the City Attorney's Web site, including a five-year injunction, which must—by court order—be posted in a prominent and public place on each floor of each property owned, managed, operated or maintained by the defendants or their future entities. Failure to abide by the injunctive terms would invoke additional penalties and fees. These are the summarized highlights:

- **Notification Requirements.** All defendants' current and future entities must notify the San Francisco City Attorney's Office of any sale, acquisition or transfer within thirty days. The City Attorney must also be informed of newly created business entities under the defendants' majority control.
- **Tenant protections.** Numerous anti-harassment provisions—including and in some respects exceeding Prop M provisions that a California appellate court invalidated as a matter of law—are imposed in the injunction by stipulation. Thus, defendants' current and future entities are prohibited from entering units without notice; preventing or interfering with the entry of guests or caregivers; requesting information about tenants' immigration status; retaliating through legal or administrative processes; or threatening to evict or evicting a tenant without lawful justification. The defendants must respond to all tenants' requests for repairs within 72 hours, and establish protocols for changing locks and providing keys, including adequate notice; and provide all buildings with a residential caretaker.
- **Buyout and relocation protocols.** The injunction establishes enforceable protocols to protect tenants in proposing buyouts and relocations, including requiring written communications and the right of tenants to be on a "No Contact" list. The defendants may not use buy-out monies to apply to damage, past due rent, or other charges, and households will retain rights to rescind agreements up to and including the date of the tenants' receipt of the buy-out amount.
- **Remodeling and construction protections, code violations.** The injunction establishes enforceable protocols to protect tenants from harassment or disruption for remodeling or construction, including providing tenants advance notice. It restricts non-emergency construction or remodeling work to the hours of 7:00 a.m. to 8:00 p.m., and requires that all permits be obtained, all appropriate codes adhered to, and a strict regimen set to address all code violations, now and in the future.

The case is *City and County of San Francisco and People of the State of California v. Skyline Realty, Inc. et al.*, San Francisco Superior Court Case No. CGC 06-455-241, filed Aug. 16, 2006. All settlement documents are available on the City Attorney's Web site at <http://www.sfcityattorney.org>.

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10 PEOPLE OF THE STATE OF CALIFORNIA

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN FRANCISCO
13 UNLIMITED JURISDICTION

14 CITY AND COUNTY OF SAN
FRANCISCO, a Municipal Corporation, and
15 the PEOPLE OF THE STATE OF
CALIFORNIA, by and through DENNIS J.
16 HERRERA, City Attorney for the City and
County of San Francisco,

17 Plaintiffs,

18 vs.

19 SKYLINE REALTY INC.,
20 CITIAPARTMENTS INC., GAYLORD
HOTEL LLC, TROPHY PROPERTIES V
21 LLC, TROPHY PROPERTIES V DE
LLC, PRIME APARTMENT
22 PROPERTIES LLC, LSL PROPERTY
HOLDINGS II DE LLC, 737 PINE DE
23 LLC, TROPHY PROPERTIES VI LLC,
TROPHY PROPERTIES IV DE LLC,
24 NOB HILL TOWER DE LLC, AND DOE
ONE THROUGH DOE FIFTY

25 Defendants.
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27
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Case No. CGC 06-455-241

SETTLEMENT AGREEMENT

Date Action Filed: August 16, 2006
Trial Date: Not Yet Set

Attachments: Exhibits A-C

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INTRODUCTION

This Settlement Agreement (this "Agreement") is between Plaintiffs CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, and the PEOPLE OF THE STATE OF CALIFORNIA ("Plaintiffs" or the "City") and Defendants SKYLINE REALTY INC., CITIAPARTMENTS INC., CITI FUNDING GROUP INC., CITISUITES LLC, LEMBI GROUP INC., LEMBI GROUP PARTNERS LLC, FRANK LEMBI, WALTER LEMBI, DAVID RAYNAL, FRANK LEMBI as TRUSTEE of the FRANK E. LEMBI SURVIVOR'S TRUST dated February 17, 1984, as restated on June 2, 1999, FRANK LEMBI, as TRUSTEE of the OLGA LEMBI RESIDUAL TRUST created under the provisions of Part Three of the LEMBI FAMILY TRUST dated February 17, 1984, WALTER LEMBI, as TRUSTEE of the WALTER AND LINDA LEMBI FAMILY TRUST dated June 30, 2004, DAVID RAYNAL, as TRUSTEE of the DAVID M. RAYNAL REVOCABLE TRUST dated May 9, 2002, 737 PINE DE LLC, 737 PINE B10 DE LLC, 737 PINE B10 MEZZ DE LLC, 1155 LLC, THE GAYLORD HOTEL LLC, LSL PROPERTIES B14 DE LLC, LSL PROPERTY HOLDINGS II DE LLC, LSL PROPERTY HOLDINGS II MEZZ LLC, NOB HILL TOWER DE LLC, NOB HILL TOWER MEZZ DE LLC, PRIME APARTMENT PROPERTIES LLC, PRIME APARTMENT PROPERTIES B10 DE LLC, PRIME APARTMENT PROPERTIES B10 MEZZ DE LLC, TROPHY PROPERTIES B10 DE LLC, TROPHY PROPERTIES IV DE LLC, TROPHY PROPERTIES IV B8A LLC, TROPHY PROPERTIES IV MEZZ DE LLC, TROPHY PROPERTIES V LLC, TROPHY PROPERTIES V DE LLC, TROPHY PROPERTIES VI LLC, TROPHY PROPERTIES IV B8A MANAGER LLC, FIRST APARTMENT RENTALS INC., 1100 PARK LANE ASSOCIATES DE, LLC, 124 MASON DE, LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT DE, LLC, 500 LARKIN B8A, LLC, 950 B14 DE, LLC, BAY CITI PROPERTIES DE, LLC, CITI PROPERTIES DE, LLC, CITI PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN /SUTTER DE, LLC, GOUGH HEIGHTS DE, LLC, LEM/RAY PROPERTIES, LLC, LEM/RAY PROPERTIES I DE, LLC, LOMBARD PLACE DE, LLC, LOMBARD PLACE I DE LLC, LRL CITIGROUP PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL PROPERTY

1 HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC, PACIFIC PRESTIGE
2 PROPERTIES I DE, LLC, RITZ APARTMENTS DE, LLC, RMSV BAY CITI PROPERTIES I
3 DE, LLC, RMSV BAY CITI PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC,
4 SKYLINE ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY CITI
5 PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC, TROPHY PROPERTIES II, LLC,
6 TROPHY PROPERTIES III DE, LLC, TROPHY PROPERTIES VIII, LLC, and TROPHY
7 PROPERTIES XV, LLC (collectively and individually, "DEFENDANTS"). Plaintiffs and
8 DEFENDANTS may be referred to below collectively as the "Parties" and individually as a
9 "Party."

11 RECITALS

12 This Agreement is made with reference to the following facts and circumstances:

13 A. On or about August 16, 2006, Plaintiffs filed a Complaint in San Francisco Superior
14 Court, Case No. CGC 06-455241, against DEFENDANTS SKYLINE REALTY INC.,
15 CITIAPARTMENTS INC., GAYLORD HOTEL LLC, TROPHY PROPERTIES V LLC, PRIME
16 APARTMENT PROPERTIES LLC, LSL PROPERTY HOLDINGS II DE LLC, 737 PINE DE
17 LLC, TROPHY PROPERTIES V DE LLC, TROPHY PROPERTIES VI LLC, TROPHY
18 PROPERTIES IV DE LLC, NOB HILL TOWER DE LLC, and DOE ONE through DOE FIFTY.
19 This matter relates to the DEFENDANTS' ownership, management, operation, and maintenance of
20 more than 150 multiunit residential properties within the City and County of San Francisco. Since
21 the filing of the initial Complaint, Plaintiffs have amended their Complaint three times, most
22 recently filing a Third Amended Complaint (the "Action" or "TAC") on March 24, 2009, adding
23 additional parties and facts.

24 B. In the Action, Plaintiffs allege that (i) DEFENDANTS employed a business model
25 that systematically and unlawfully dispossessed long-term residential tenants of their rent-
26 controlled apartments, leaving DEFENDANTS free to make significant unpermitted renovations
27 and to re-rent those newly renovated units to new tenants at dramatically increased market rates,
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1 (ii) these business practices violated various provisions of state and local law including California
2 Business and Professions Code Sections 17200-17210, California Civil Code Sections 3479, 3480,
3 3491, and 3494, California Code of Civil Procedure Section 731, California Health and Safety
4 Code Sections 17910 et seq., and the San Francisco Housing, Building, Plumbing, Electrical, and
5 Administrative Codes, and (iii) the business entity DEFENDANTS were organized and operated in
6 such way that they were the alter egos of DEFENDANTS FRANK LEMBI, WALTER LEMBI,
7 and DAVID RAYNAL. DEFENDANTS dispute Plaintiffs' claims, allegations and alter ego
8 theories of liability. By this Agreement, the Parties agree to fully resolve this dispute and settle the
9 Action.

10 C. Walter Lembi is deceased and no successor trustee has been named as Trustee of
11 the Walter and Linda Lembi Family Trust dated June 30, 2004.

12 D. This Agreement is the result of a negotiated resolution of all of the claims and
13 defenses that have arisen in the Action. Each of the Parties has carefully read this Agreement, and
14 signs it freely and voluntarily upon the advice of its own attorneys. Each such Party affirms that
15 the only consideration for its execution of this Agreement are the terms stated in the body of this
16 Agreement; that no other promise or agreement of any kind has been made to or with it by any
17 person or entity to cause them to execute this Agreement; that it is competent to execute this
18 Agreement; that its agreement to execute this Agreement has not been obtained by any duress or
19 undue influence; and that it fully understands and voluntarily executes this Agreement knowing it
20 constitutes a settlement and a complete release of claims.

21 ACCORDINGLY, in consideration of the exchange of good and valuable consideration, as
22 described below, the Parties agree to fully settle their dispute and settle the Action on the
23 following terms and conditions:

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1 RELATED PARTIES, then such fees shall be excluded from the definition
2 of CLOSING FEES.

- 3 3. "CORPORATE AND ENTITY DEFENDANTS" includes the following
4 DEFENDANTS: SKYLINE REALTY INC., CITIAPARTMENTS INC.,
5 CITI FUNDING GROUP INC., CITISUITES LLC, LEMBI GROUP INC.,
6 LEMBI GROUP PARTNERS LLC, 737 PINE DE LLC, 737 PINE B10 DE,
7 LLC, 737 PINE B10 MEZZ DE LLC, 1155 LLC, THE GAYLORD
8 HOTEL, LLC, LSL PROPERTIES B14 DE, LLC, LSL PROPERTY
9 HOLDINGS II DE, LLC, LSL PROPERTY HOLDINGS II MEZZ , LLC,
10 NOB HILL TOWER DE, LLC, NOB HILL TOWER MEZZ DE, LLC,
11 PRIME APARTMENT PROPERTIES, LLC, PRIME APARTMENT
12 PROPERTIES B10 DE, LLC, PRIME APARTMENT PROPERTIES B10
13 MEZZ DE, LLC, TROPHY PROPERTIES B10 DE, LLC, TROPHY
14 PROPERTIES IV DE, LLC, TROPHY PROPERTIES IV B8A, LLC,
15 TROPHY PROPERTIES IV MEZZ DE, LLC, TROPHY PROPERTIES V,
16 LLC, TROPHY PROPERTIES V DE, LLC, TROPHY PROPERTIES VI,
17 LLC, TROPHY PROPERTIES IV B8A MANAGER, LLC, FIRST
18 APARTMENT RENTALS INC., 1100 PARK LANE ASSOCIATES DE,
19 LLC, 124 MASON DE, LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT
20 DE, LLC, 500 LARKIN B8A, LLC, 950 B14 DE, LLC, BAY CITI
21 PROPERTIES DE, LLC, CITI PROPERTIES DE, LLC, CITI
22 PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN
23 /SUTTER DE, LLC, GOUGH HEIGHTS DE, LLC, LEM/RAY
24 PROPERTIES, LLC, LEM/RAY PROPERTIES I DE, LLC, LOMBARD
25 PLACE DE, LLC, LOMBARD PLACE I DE, LLC, LRL CITIGROUP
26 PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL
27 PROPERTY HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC,
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1 PACIFIC PRESTIGE PROPERTIES I DE, LLC, RITZ APARTMENTS
2 DE, LLC, RMSV BAY CITI PROPERTIES I DE, LLC, RMSV BAY CITI
3 PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC, SKYLINE
4 ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY
5 CITI PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC,
6 TROPHY PROPERTIES II, LLC, TROPHY PROPERTIES III DE, LLC,
7 TROPHY PROPERTIES VIII, LLC, and TROPHY PROPERTIES XV,
8 LLC.

- 9 4. "FUTURE ENTITY/IES" means any entity (including, without limitation,
10 any partnership, corporation, limited liability company, joint stock
11 company, trust, unincorporated association, joint venture or association)
12 currently in existence or formed during the effective period of the
13 Agreement, where a MAJORITY INTEREST exists or is obtained during
14 the effective period of this Agreement.
- 15 5. "MAJORITY INTEREST" is an ownership interest in a business entity or
16 PROPERTY, where DEFENDANTS or FUTURE ENTITIES, alone, or in
17 combination with one another, or in combination with a RELATED
18 PARTY, directly or indirectly, possess more than a 50% share.
- 19 6. "NET PROCEEDS FROM REFINANCING" means all proceeds from the
20 REFINANCING less (i) in the case of the first REFINANCING during the
21 term of this Agreement, the greater of the amount of the purchase price for
22 the REAL PROPERTY or the debt encumbering the property or secured by
23 security interests in the membership interest of the applicable owner of the
24 REAL PROPERTY (so-called mezzanine debt) in each instance held by
25 BONA FIDE THIRD PARTY LENDERS, and (ii) CLOSING FEES.
- 26 7. "NET PROCEEDS FROM SALE" means all proceeds from the SALE, less
27 (i) in the case of the first SALE, the gross amount of any existing debt
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1 secured by deed(s) of trust on the REAL PROPERTY or secured by security
2 interests in the membership interest of the applicable owner of the REAL
3 PROPERTY (so-called mezzanine debt) in each instance held by BONA
4 FIDE THIRD PARTY LENDERS, and (ii) CLOSING FEES.

5 8. "PROPERTY/IES" includes any real property (i) identified in Exhibit A
6 which is managed and/or owned by DEFENDANTS and/or FUTURE
7 ENTITIES or (ii) located within the City and County of San Francisco that
8 contains, or may contain, residential rental units where DEFENDANTS
9 and/or FUTURE ENTITIES, possess a MAJORITY INTEREST or is
10 managed, operated, or maintained in whole or in part by DEFENDANTS,
11 and/or FUTURE ENTITIES.

12 9. "RELATED PARTY/IES" means (i) any person related at any time by
13 blood, marriage, or civil union to any individual DEFENDANT, or (ii) any
14 entity that is affiliated with any DEFENDANT or FUTURE ENTITY. For
15 purposes of this Agreement, "affiliated" means an entity that directly or
16 indirectly controls, is controlled by or is under common control with,
17 another entity, and for purposes of the foregoing, "control" means the power
18 to direct the affairs or management of another entity, whether by contract,
19 operation of law or otherwise.

20 10. "REAL PROPERTY" shall mean any residential real property owned, in
21 whole or in part, at the time of the execution of this Agreement or purchased
22 in whole or in part by any DEFENDANTS or FUTURE ENTITIES during
23 the effective period of this Agreement located within the City and County of
24 San Francisco.

25 11. "REFINANCING" means and will be broadly interpreted to include any
26 debt financing incurred by any of the DEFENDANTS or FUTURE
27 ENTITIES, subsequent to this Agreement, and secured by deed(s) of trust
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1 on the REAL PROPERTY or secured by security interests in the
2 membership interest of the applicable owner of the REAL PROPERTY (so-
3 called mezzanine debt). DEFENDANTS shall disclose all outstanding debt
4 financing secured by deed(s) of trust on REAL PROPERTY or secured by
5 security interests in the membership interest to Plaintiffs within 30 days of
6 the execution of this Agreement.

7 12. "SALE" means and will be broadly interpreted to include any sale,
8 assignment, transfer or other conveyance of all or part of the
9 DEFENDANTS and/or FUTURE ENTITIES' interest in REAL
10 PROPERTY that is, and becomes, subject to this Agreement, or through
11 which the DEFENDANTS and/or FUTURE ENTITIES or a controlling
12 person or entity in any of the DEFENDANTS and/or FUTURE ENTITIES
13 (directly, indirectly) realizes value from the transaction (i.e. cash, cash
14 equivalents, instruments, securities or other property, in each instance
15 readily convertible to cash), including, but not limited to, any transaction
16 that would constitute a "change in ownership" as may now or later be
17 defined in Chapter 2 (Section 60-69 inclusive) of the California Revenue
18 and Taxation Code, or its successor, but excluding any transfers by descent,
19 devise, inheritance or marital property settlement. If the SALE is to a
20 RELATED PARTY and/or heir, the DEFENDANT and/or FUTURE
21 ENTITIES shall expressly provide in the documents evidencing the SALE
22 that any subsequent SALE by the RELATED PARTY and/or heir shall
23 subject the RELATED PARTY and/or heir to the Contingent Payment
24 obligations of this Agreement. Within 30 days of execution of this
25 Agreement, the DEFENDANTS shall deliver a copy of this Agreement to
26 each known RELATED PARTY and/or heir (in the case of a child, to his or
27 her guardian).

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2 **B. PARTIES, ENTITIES, AND PROPERTIES BOUND BY THIS**
3 **AGREEMENT**

4 The Parties agree to submit to the San Francisco Superior Court's jurisdiction, and agree to
5 be bound by the terms of this Agreement, without limitation or restriction. The provisions of this
6 Agreement will apply only to the following: all DEFENDANTS, including all CORPORATE
7 AND ENTITY DEFENDANTS, and FUTURE ENTITIES. For purposes of this Agreement, all
8 DEFENDANTS, including all CORPORATE AND ENTITY DEFENDANTS and FUTURE
9 ENTITIES shall be bound by the actions of their agents, assignees, board members, officers,
10 employees, successors in interest, and all persons who are acting in concert, on behalf of, or in
11 participation with any of them.

12 **C. GENERAL MATTERS REGARDING THIS AGREEMENT**

13 In an effort to come to a negotiated resolution of all of the claims that have arisen in the
14 Action, the Parties are executing three separate settlement documents: (1) this Agreement, (2) a
15 Stipulated Injunction (attached hereto as Exhibit B, and incorporated by reference), and (3) a
16 Stipulation for Entry of Judgment for Monetary Penalties (attached hereto as Exhibit C and
17 incorporated by reference; the "Judgment").

18 DEFENDANTS further represent, warrant and covenant to Plaintiffs that DEFENDANTS
19 have no present intention to file a petition in bankruptcy. A "petition in bankruptcy" (a "Petition")
20 as used in this Agreement shall consist of any individual or corporate petition filed under 11
21 U.S.C. section 701 *et seq.*, 11 U.S.C. section 1101 *et seq.*, or 11 U.S.C. section 1301 *et seq.*

22 The Parties agree that this Agreement is intended to be a full compromise of disputes
23 involved in the Action and that this Agreement is entered into for settlement purposes only.
24 Neither the fact of, nor any statement or provision contained in, this Agreement, including the
25 payments by DEFENDANTS, nor any action taken under this Agreement, shall constitute, be
26 construed as, or be admissible in evidence as, any admission or concession regarding any claim or
27 allegation of any wrongdoing, fault, violation of law, or liability of any kind on the part of any of
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1 the Parties. But nothing stated in this paragraph shall preclude any of the Parties from seeking to
2 introduce the terms of this Agreement in any legal proceeding to enforce this Agreement.

3 The Parties also agree that all of the DEFENDANTS, together with any and all FUTURE
4 ENTITIES that are subject to this Agreement, shall be bound by and liable for the obligations
5 arising out of this Agreement as detailed herein.

6 DEFENDANTS agree not to form, acquire in whole or part, or participate in the operation,
7 oversight, management, or maintenance of any entity unless that FUTURE ENTITY agrees to be
8 bound, in writing, by the terms of this Agreement.

9 This Agreement including the attached and incorporated Stipulated Injunction and a
10 Stipulation for Entry of Judgment for Monetary Penalties shall be effective, upon the execution
11 and delivery of this Agreement by Plaintiffs and DEFENDANTS, as a full and final accord of all
12 claims between the Parties for all matters alleged in the TAC.

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14 **D. MONETARY PAYMENTS**

15 DEFENDANTS, or CORPORATE AND ENTITY DEFENDANTS, in each instance as
16 described specifically below, shall make each of the following three separate categories of
17 payments to Plaintiffs (the "Payments") in accordance with the terms and conditions specified
18 below:

19 **Initial Payment:** DEFENDANTS shall pay Plaintiffs \$400,000 (the "Initial Payment") on
20 the same date DEFENDANTS execute this Agreement but no later than March 28, 2011. The
21 Initial Payment constitutes civil penalties pursuant to California Business and Professions Code
22 sections 17200-17210, San Francisco Housing Code section 204(c)(2), San Francisco Building
23 Code section 103A, San Francisco Electrical Code section 89.125, and San Francisco Plumbing
24 Code section 102.3.2. DEFENDANTS shall deliver the Initial Payment to the City Attorney's
25 Office, 1390 Market Street, Seventh Floor, San Francisco, CA 94102, attention: Alex G. Tse,
26 Deputy City Attorney. The Initial Payment must be made by cashier's check or money order made
27 payable to: "City and County of San Francisco." In making this payment, DEFENDANTS
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1 represent, warrant, and covenant that they have not filed a petition in bankruptcy for relief under
2 any chapter of the U.S. Bankruptcy Code and have no present intention to file a petition for relief
3 under any chapter of the U.S. Bankruptcy Code, and, to DEFENDANTS' knowledge, no
4 involuntary petition involving any DEFENDANTS and naming the City as a debtor has been filed
5 under any chapter of the U.S. Bankruptcy Code.

6 **Additional Payment:** CORPORATE AND ENTITY DEFENDANTS only shall pay
7 Plaintiffs an additional \$1,600,000 (the "Additional Payment") as follows. The Parties agree that
8 the Additional Payment is a monetary judgment that is immediately due. (*See* Judgment attached
9 hereto as Exhibit C). The Additional Payment constitutes civil penalties under California Business
10 and Professions Code sections 17200-17210, San Francisco Housing Code section 204(c)(2), San
11 Francisco Building Code section 103A, San Francisco Electrical Code section 89.125, and San
12 Francisco Plumbing Code section 102.3.2. CORPORATE AND ENTITY DEFENDANTS may:
13 (1) pay the Additional Payment in full by April 4, 2011 or (2) instead elect to satisfy the
14 Additional Payment by making installment payments of not less than \$13,500 per month beginning
15 in April 2011 and ending in April 2021 or until such earlier date that the full amount of the
16 Additional Payment, together with all applicable interest as provided by Code of Civil Procedure
17 sections 685.010 and 685.020, is paid. The Parties acknowledge that CCP sections 685.010 and
18 685.020 shall be inapplicable to the Additional Payments so long as monthly installments are
19 timely made as herein provided. Payments shall be delivered to the City Attorney's Office, 1390
20 Market Street, Seventh Floor, San Francisco, CA 94102, attention: Yvonne R. Mere, Deputy City
21 Attorney. The Additional Payment payable over installments shall be made by cashier's check or
22 money order made payable to: "City and County of San Francisco." These installment payments
23 shall be delivered to the City Attorney's Office by close of business on the 5th of each month. If
24 the 5th of the month falls on a holiday or weekend, payment shall be due by close of business on
25 the first business day after such holiday or weekend day. Any payment made pursuant to this
26 Agreement shall be deemed untimely if there are insufficient funds to satisfy the tendered
27 payment. Plaintiffs agree not to file the Judgment, so long as the installment payments are timely
28

1 received in accordance with this Agreement. Should CORPORATE AND ENTITY
2 DEFENDANTS fail to make timely installment payments consistent with this Agreement,
3 Plaintiffs shall have the right to file the Judgment attached hereto as Exhibit C. Moreover, the
4 failure to pay any, or all, of the Additional Payment, in a manner consistent with this Agreement,
5 shall be deemed a violation of this Agreement and the Stipulated Injunction incorporated by
6 reference herein, and subject to the penalties described elsewhere in this Agreement and Stipulated
7 Injunction.

8 If after April 2013, should DEFENDANTS and FUTURE ENTITIES irrevocably and
9 permanently cease managing PROPERTY/IES, including ceasing doing business as managers of
10 PROPERTY/IES, then, so long as CORPORATE AND ENTITY DEFENDANTS have made all
11 installment payments through April 2013, totaling at least \$324,000, in accordance with this
12 Agreement and declare under penalty of perjury that the DEFENDANTS and FUTURE
13 ENTITIES, have in fact ceased managing PROPERTY/IES, the obligation to make further
14 installment payments shall be extinguished and the Judgment deemed satisfied.

15
16 **Contingent Payments:**

17 For each SALE or REFINANCING of any REAL PROPERTY that occurs within five
18 years from the date of the execution of this Agreement, Plaintiffs shall be entitled to 20% of the
19 NET PROCEEDS FROM SALE or the NET PROCEEDS FROM REFINANCING, as applicable,
20 up to a total amount of \$8,000,000 (the "Contingent Payment"). The amount of the Contingent
21 Payment constitutes civil penalties pursuant to California Business and Professions Code sections
22 17200-17210, San Francisco Housing Code section 204(c)(2), San Francisco Building Code
23 section 103A, San Francisco Electrical Code section 89.125, and San Francisco Plumbing Code
24 section 102.3.2. For purposes of this paragraph, NET PROCEEDS FROM SALE and NET
25 PROCEEDS FROM REFINANCING from more than one REFINANCING or SALE transaction
26 shall be determined on a combined, cumulative basis until Plaintiffs receive the maximum amount
27 provided for under this paragraph for the Contingent Payment.

1 DEFENDANTS and/or FUTURE ENTITIES shall provide Plaintiffs notice of any such
2 proposed SALE or REFINANCING not less than 30 days before the anticipated close of such
3 SALE or REFINANCING transaction, including a calculation of the estimated amount Plaintiffs
4 will receive under this part. DEFENDANTS and/or FUTURE ENTITIES shall provide Plaintiffs
5 with an advance draft of the escrow instructions for such SALE or REFINANCING, which shall
6 provide that the portion of the Contingent Payment due to Plaintiffs from such SALE or
7 REFINANCING shall be made directly to Plaintiffs from the closing proceeds.

8 Within 48 hours of the closing of each such SALE or REFINANCING transaction,
9 payment of the portion of the Contingent Payment due Plaintiffs, together with a signed closing
10 statement and a document certified by DEFENDANTS and/or FUTURE ENTITIES detailing the
11 final calculation of such payment, shall be delivered to the City Attorney's Office, 1390 Market
12 Street, Seventh Floor, San Francisco, CA 94102, attention: Yvonne R. Mere, Deputy City
13 Attorney, or such other address as Plaintiffs may notify DEFENDANTS and/or FUTURE
14 ENTITIES in writing. The payment/s shall be made by a business or cashier's check or money
15 order made payable to: "City and County of San Francisco" or, if Plaintiffs so request, wire
16 transfer of immediately available funds under instructions that Plaintiffs provide to
17 DEFENDANTS and/or FUTURE ENTITIES or the escrow holder. Should DEFENDANTS
18 and/or FUTURE ENTITIES fail to make any Contingent Payment due under this part, then for
19 each such failure Plaintiffs shall be entitled to liquidated damages in the amount of \$25,000 in
20 addition to the amount due under this paragraph, and to any other penalties and remedies provided
21 by law and/or this Agreement and Stipulated Injunction.

22
23 **E. RELIANCE ON DEFENDANTS' REPRESENTATIONS**

24 The amounts and terms of the Payments are the result of a negotiation. During discovery,
25 as well as during settlement discussions, DEFENDANTS gave discovery responses, produced
26 documents, and made certain representations regarding their financial condition and ability to pay.
27 In coming to this resolution, Plaintiffs have relied on DEFENDANTS' responses, documents, and
28

1 representations including, but not limited to, information and documents regarding
2 DEFENDANTS' corporate structure, business activities, current and future business practices, net
3 worth and assets, current financial condition, and future financial projections. Plaintiffs have
4 relied on the accuracy and completeness of these responses, documents, and representations in
5 reaching this Agreement and compromising claim amounts. Specifically, the responses,
6 documents, and representations made by DEFENDANTS and relied upon by Plaintiffs include, but
7 are not limited to:

- 8 • All responses, documents, and testimony given or produced by DEFENDANTS in
9 this case including but not limited to documents produced by DEFENDANTS on
10 the following dates: November 9, 2008, November 14, 2008, November 20, 2008,
11 November 21, 2008, November 25, 2008, December 3, 2008, December 9, 2008,
12 December 12, 2008, December 17, 2008, January 2, 2009, April 19, 2009, February
13 19, 2010, March 11, 2010 (Bates Nos. 1- 22723);
- 14 • Documents produced by third parties UBS, Credit Suisse, and Nomura banks in
15 response to subpoenas;
- 16 • Other financial documents produced by the individual, entity, and corporate
17 DEFENDANTS including credit card statements, financial statements, tax
18 documents, receipts, and other personal and corporate account information;
- 19 • Statements made by counsel on behalf of DEFENDANT David Raynal and his
20 trust, regarding his impending tax liability, limited assets, and ability to pay civil
21 penalties;
- 22 • Statements made by counsel on behalf of DEFENDANT Frank Lembi and his trusts
23 regarding his impending tax liability, limited assets, and ability to pay civil
24 penalties; and
- 25 • Statements made by counsel on behalf of the corporate and other entity
26 DEFENDANTS regarding their solvency, value, encumbrances, financial health
27 and stability, lack of assets, and ability to pay civil penalties.

1 If DEFENDANTS made any knowing and material misrepresentation or omission
2 regarding the corporate structure, business activities, or current and future business practices, that
3 will be deemed a material violation of this Agreement and Stipulated Injunction and shall subject
4 DEFENDANTS to any and all of the rights and remedies Plaintiffs have to enforce this Agreement
5 as provided in this Agreement or otherwise available in law or equity. Also, if before the effective
6 date of this Agreement DEFENDANTS have failed to disclose to Plaintiffs any real property asset
7 or other material assets in which DEFENDANTS' have an ownership or other beneficial interest or
8 made any knowing and material misrepresentation or omission to Plaintiffs regarding
9 DEFENDANTS' net worth and assets, and/or financial condition or the value of any equity or debt
10 interests in any real property, any such misrepresentation shall not only be deemed a material
11 violation of this Agreement and subject the applicable DEFENDANTS to any and all of the rights
12 and remedies Plaintiffs may have under this Agreement or at law or in equity, but also subject
13 DEFENDANTS to additional liquidated damages in the amount equal to 50% of the value of each
14 such asset that DEFENDANTS has failed to disclose or the amount of the undervaluation of that
15 asset or of DEFENDANTS' net worth or financial condition, as the case may be.

16
17 **F. JURISDICTION AND JUDICIAL OVERSIGHT OF THIS SETTLEMENT**

18 The Parties stipulate that this Court has jurisdiction over the subject matter and each of the
19 Parties to this Agreement pursuant to Code of Civil Procedure section 664.6 to enforce any and all
20 terms of this Agreement. The Parties jointly request and stipulate that the Court retain jurisdiction
21 of this case and over the parties personally until final performance of all terms stated herein. To
22 the extent necessary for the Court to retain jurisdiction to enforce the terms of this Agreement, the
23 Parties stipulate to the tolling of any applicable statute, rule, or court order affecting timely
24 prosecution of the Action including the 5 year dismissal statute set forth in Code of Civil
25 Procedure section 583.310.

26 All disputes arising or hearings required regarding the compliance with this Agreement
27 shall be brought to the Honorable John E. Munter, Judge of the San Francisco Superior Court, for
28

1 resolution. If Judge John E. Munter is not available, any dispute may be brought before any Judge
2 of the San Francisco Superior Court. The Court expressly reserves jurisdiction to take such further
3 action as may be necessary or appropriate to enforce the provisions of this Agreement, Injunction
4 and/or Judgment, and order all appropriate relief under the law.

5
6 **G. MUTUAL RELEASES**

7 Except as provided below, Plaintiffs and DEFENDANTS each on behalf of themselves and
8 their respective boards, commissions, officers, employees, attorneys, agents, consultants,
9 representatives, affiliates, predecessors, successors, assigns and heirs, shall and does fully,
10 irrevocably and unconditionally release, relinquish, abandon and waive all known and unknown
11 claims, that it has, had, and/or might have against the other, that arise from, relate to, or are based
12 upon the disputes that are the subject of the Action, including, without limiting the generality of
13 the foregoing, all such claims, demands, causes of action, obligations or liabilities that in any way
14 relate to or arise out of any action, omission, representation, or proceeding with respect to the
15 matters that were raised or that could have been raised as part of the Action.

16 These mutual releases are governed by Civil Code Section 1542, which reads as follows:

17 "A general release does not extend to claims a creditor does not know or suspect to exist in his or
18 her favor at the time of executing the release, which if known, may have materially affected his or
19 her settlement with debtor." The Parties acknowledge that the protections of Civil Code Section
20 1542 apply to this Agreement and are not being waived.

21 Without limiting any of the foregoing, the Parties agree that (1) the mutual releases extend
22 to all alleged violations of the Unfair Competition Law, California Business and Professions Code
23 Sections 17200 et seq., that occurred prior to the date of this Agreement, including those related to
24 the alleged harassment of tenants as described in the TAC; and (2) this release extends to past and
25 present Remodel Code Violations that are specifically identified, disclosed, and abated as
26 described in Paragraphs C(1)-(2) pages 12-14, of the Stipulated Injunction. The term "Remodel
27 Code Violations" as used in this Agreement means kitchen and bathroom remodels within
28

1 individual units at the PROPERTIES that were performed prior to the date of this Agreement
2 without proper Building, Plumbing and/or Electrical permits.

3 Notwithstanding any term of this Agreement, Plaintiffs specifically do not release any
4 person or entity, including, but not limited to, DEFENDANTS and/or FUTURE ENTITIES, from
5 the following:

- 6 • Any municipal or state tax claims or liabilities;
- 7 • Any criminal liability;
- 8 • Any state or municipal administrative, civil, or government claim or liability not
9 related to the specific conduct and causes of action alleged in the TAC;
- 10 • Any violations of state or municipal law occurring or continuing after the date of
11 execution of this Agreement, except as provided in Paragraphs C(1)-(2), of the
12 Stipulated Injunction;
- 13 • Any liability for any matter not related to the conduct and causes of action alleged
14 in the TAC; and
- 15 • Any material misrepresentation of any matter described in Paragraph E above.

16 The Parties further acknowledge that this release does not in any way relieve
17 DEFENDANTS and/or FUTURE ENTITIES of the obligation to abide by each and every term of
18 this Agreement and those enumerated in the Stipulated Injunction and Stipulated Judgment and
19 Order for Monetary Penalties, or Plaintiffs' rights to enforce this Agreement. Further, this release
20 does not deprive Plaintiffs from seeking penalties and attorneys' fees for failure to comply with
21 any of the terms of this Agreement (including the Stipulated Injunction and Stipulated Judgment
22 and Order for Monetary Penalties incorporated herein) as well as any other penalty or relief
23 prescribed by law.

24 The Parties further acknowledge that this release is effective as to the Estate of Walter
25 Lembi and the Walter and Linda Lembi Family Trust dated June 30, 2004 and each of the subtrusts
26 described therein without requirement of countersignature by such Estate, trust or subtrust.
27
28

1 **H. ENFORCEMENT**

2 Should DEFENDANTS fail to comply with any provision of this Agreement, then, without
3 limiting any other enforcement rights specifically provided for in this Agreement, Plaintiffs may
4 file a motion for entry of judgment pursuant to the Parties' Stipulation for Entry of Judgment, a
5 copy of which is attached hereto as Exhibit C or take any other action to enforce this Agreement.

6 In the event the Stipulated Judgment is entered by the Court, DEFENDANTS agree that
7 Plaintiffs shall be entitled to its costs and reasonable attorneys' fees incurred in bringing such
8 motion.

9 **I. GOVERNING LAW**

10 This Agreement and the Stipulated Injunction shall be governed by, construed and enforced
11 in accordance with the laws of the State of California without giving effect to its principles of
12 conflicts of laws.

13 **J. ENTIRE AGREEMENT**

14 This Agreement, the Stipulated Injunction, and the Stipulation for Entry of Judgment and
15 contain the entire agreement among the Parties hereto with respect to the matters covered hereby,
16 and supersede all prior agreements, written or oral, among the Parties. No other agreement,
17 statement or promise made by any Party not contained herein shall be binding or valid.
18

19 **K. CONSTRUCTION**

20 The parties acknowledge and agree that each Party and counsel for each Party, to the extent
21 each Party has determined that representation by counsel was necessary, has reviewed and revised
22 this Agreement and the Stipulated Injunction and that any rule of construction to the effect that
23 ambiguities are to be resolved against the drafting Party shall not apply in an interpretation of this
24 Agreement or any amendment or exhibit hereto.
25
26
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1 **L. COUNTERPARTS**

2 This Agreement and the Stipulated Injunction may be executed by facsimile or electronic
3 (e.g., pdf) signatures in separate counterparts and once executed shall constitute one agreement
4 which shall be binding upon all the Parties hereto, notwithstanding that the signatures of the
5 Parties' designated representatives do not appear on the same page and/or are not original
6 signatures.

7
8 **M. SEVERABILITY**

9 In the event that any provision of this Agreement and/or the Stipulated Injunction, or part
10 thereof, shall for any reason be held to be unenforceable, invalid or contrary to public policy or
11 any law, and the remaining valid portions of the Agreement and/or Stipulated Injunction, if
12 enforced, will carry out the Parties' intentions as reflected herein to release fully and finally the
13 claims released in exchange for the consideration described, the whole Agreement and/or
14 Stipulated Injunction shall not be invalidated but, instead, the Agreement and/or Stipulated
15 Injunction shall be construed as if it did not contain the unenforceable or invalid portion.

16
17 **N. WARRANTY OF AUTHORITY**

18 Each of the signatories hereto warrants and represents that he or she is competent and
19 authorized to enter into this Agreement and the Stipulated Injunction on behalf of the Party for
20 whom he or she purports to sign this Agreement. Each Party signing this Agreement and the
21 Stipulated Injunction also represents and warrants that no other person's signature is needed in
22 order to bind the Parties to this Agreement and Stipulated Injunction or to release the claims and
23 demands that such Party is purporting to release.

24
25 **O. DISMISSAL OR SATISFACTION OF JUDGMENT**

26 Within 30 days of DEFENDANTS' complete and full compliance with all terms of this
27 Agreement, including Plaintiffs' receipt of all of the Payments then due, as well as all the terms of
28 the Stipulated Injunction and the Stipulation for Entry of Judgment for Monetary Penalties

1 incorporated in this Agreement, Plaintiffs will dismiss the Action. DEFENDANTS and any
2 additional parties bound to this Agreement shall not be deemed "prevailing parties" under Code of
3 Civil Procedure Section 1032 as a consequence of dismissal as contemplated by this Agreement.
4

5
6 SO STIPULATED:

7 DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

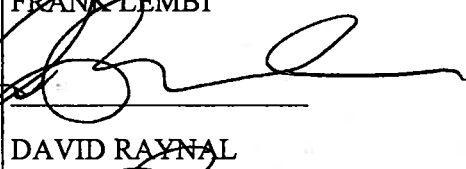
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11 _____
Attorney for Plaintiffs
CITY AND COUNTY OF SAN
12 FRANCISCO and PEOPLE OF THE
STATE OF CALIFORNIA

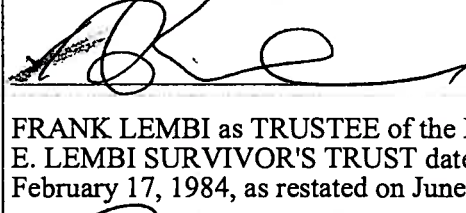
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15 _____
Earl Bohachek
Attorney for DEFENDANTS
16 DAVID RAYNAL individually and as
17 TRUSTEE of the DAVID M. RAYNAL
REVOCABLE TRUST dated May 9, 2002

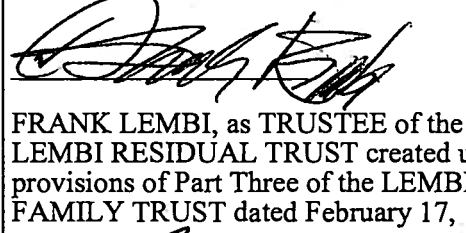
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19 _____
Edward Singer
20 Attorney for all other DEFENDANTS
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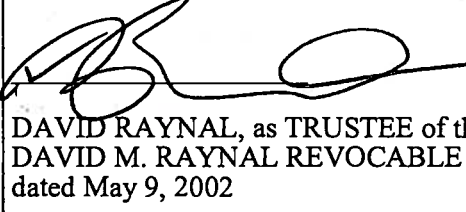
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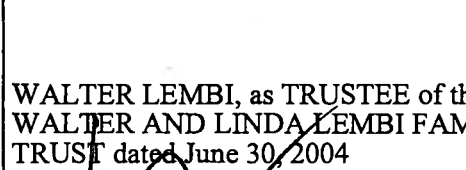

FRANK LEMBI


DAVID RAYNAL


FRANK LEMBI as TRUSTEE of the FRANK
E. LEMBI SURVIVOR'S TRUST dated
February 17, 1984, as restated on June 2, 1999


FRANK LEMBI, as TRUSTEE of the OLGA
LEMBI RESIDUAL TRUST created under the
provisions of Part Three of the LEMBI
FAMILY TRUST dated February 17, 1984


DAVID RAYNAL, as TRUSTEE of the
DAVID M. RAYNAL REVOCABLE TRUST
dated May 9, 2002


WALTER LEMBI, as TRUSTEE of the
WALTER AND LINDA LEMBI FAMILY
TRUST dated June 30, 2004

BY: _____
ITS: ATTORNEY OF RECORD

SKYLINE REALTY INC.
BY: 
ITS: AUTHORIZED SIGNATOR

///
///

City and County of San Francisco
and the People of the State of California

BY: _____

ITS: AUTHORIZED SIGNATOR

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incorporated in this Agreement, Plaintiffs will dismiss the Action. DEFENDANTS and any additional parties bound to this Agreement shall not be deemed "prevailing parties" under Code of Civil Procedure Section 1032 as a consequence of dismissal as contemplated by this Agreement.


SO STIPULATED:

DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

Attorney for Plaintiffs
CITY AND COUNTY OF SAN
FRANCISCO and PEOPLE OF THE
STATE OF CALIFORNIA

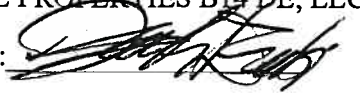
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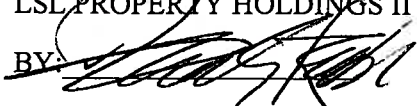
Earl Bohachek
Attorney for DEFENDANTS
DAVID RAYNAL individually and as
TRUSTEE of the DAVID M. RAYNAL
REVOCABLE TRUST dated May 9, 2002


Edward Singer
Attorney for all other DEFENDANTS


1 CITIAPARTMENTS INC.
2 BY: 
3 ITS: AUTHORIZED SIGNATOR


LSL PROPERTIES B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

4 LEMBI GROUP INC.
5 BY: 
6 ITS: AUTHORIZED SIGNATOR


LSL PROPERTY HOLDINGS II MEZZ, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

7 LEMBI GROUP PARTNERS, LLC
8 BY: 
9 ITS: AUTHORIZED SIGNATOR
10


NOB HILL TOWER DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

11 737 PINE DE, LLC
12 BY: 
13 ITS: AUTHORIZED SIGNATOR


NOB HILL TOWER MEZZ DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

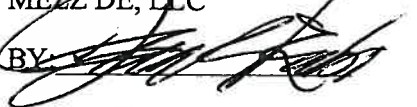
14 737 PINE B10 DE, LLC
15 BY: 
16 ITS: AUTHORIZED SIGNATOR
17


PRIME APARTMENT PROPERTIES, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

18 737 PINE B10 MEZZ DE, LLC
19 BY: 
20 ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES B10 DE
LLC
BY: 
ITS: AUTHORIZED SIGNATOR

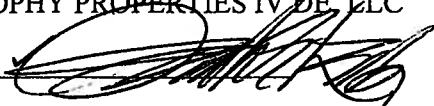
21 1155, LLC
22 BY: 
23 ITS: AUTHORIZED SIGNATOR


PRIME APARTMENT PROPERTIES B10
MEZZ DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


24 THE GAYLORD HOTEL, LLC
25 BY: 
26 ITS: AUTHORIZED SIGNATOR
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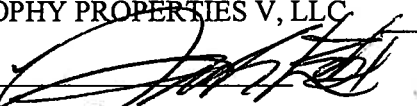
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ITS: AUTHORIZED SIGNATOR

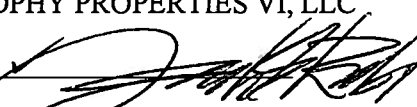
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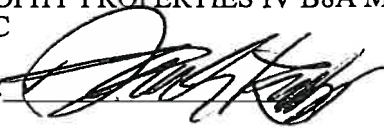
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BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES IV MEZZ DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

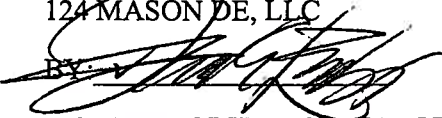
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BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES V DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES VI, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

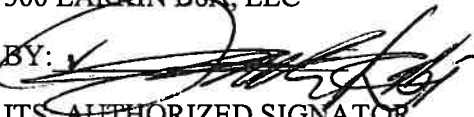
TROPHY PROPERTIES IV B8A MANAGER,
LLC
BY: 
ITS: AUTHORIZED SIGNATOR

FIRST APARTMENT RENTALS INC.
BY: 
ITS: AUTHORIZED SIGNATOR

124 MASON DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


2238 HYDE B10 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

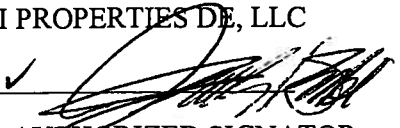
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ITS: AUTHORIZED SIGNATOR

500 LARKIN B8A, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

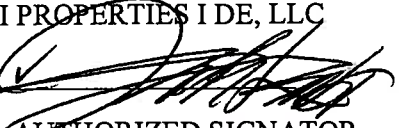
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ITS: AUTHORIZED SIGNATOR

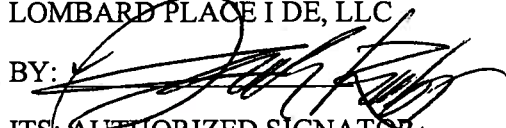
1 BAY CITI PROPERTIES DE, LLC
2 BY: 
3 ITS: AUTHORIZED SIGNATOR


LEM/RAY PROPERTIES I DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


4 CITI PROPERTIES DE, LLC
5 BY: ✓ 
6 ITS: AUTHORIZED SIGNATOR


LOMBARD PLACE DE, LLC
BY: ✓ 
ITS: AUTHORIZED SIGNATOR


7 CITI PROPERTIES I DE, LLC
8 BY: ✓ 
9 ITS: AUTHORIZED SIGNATOR
10


LOMBARD PLACE I DE, LLC
BY: ✓ 
ITS: AUTHORIZED SIGNATOR

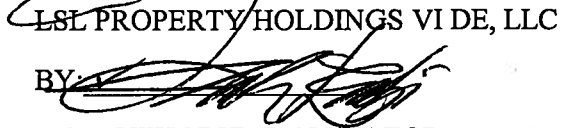
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12 BY: 
13 ITS: AUTHORIZED SIGNATOR

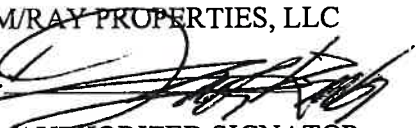
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BY: 
ITS: AUTHORIZED SIGNATOR

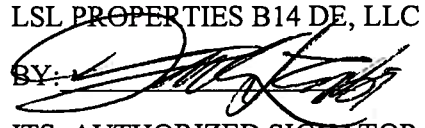
14 FRANKLIN/SUTTER DE, LLC
15 BY: 
16 ITS: AUTHORIZED SIGNATOR
17

LSL PROPERTY HOLDINGS V DE, LLC
BY: ✓ 
ITS: AUTHORIZED SIGNATOR

18 GOUGH HEIGHTS DE, LLC
19 BY: 
20 ITS: AUTHORIZED SIGNATOR

LSL PROPERTY HOLDINGS VI DE, LLC
BY: ✓ 
ITS: AUTHORIZED SIGNATOR

21 LEM/RAY PROPERTIES, LLC
22 BY: 
23 ITS: AUTHORIZED SIGNATOR
24

LSL PROPERTIES B14 DE, LLC
BY: ✓ 
ITS: AUTHORIZED SIGNATOR

28

1 PACIFIC PRESTIGE PROPERTIES I DE,
LLC

2 BY: 

3 ITS: AUTHORIZED SIGNATOR

4 RITZ APARTMENTS DE, LLC

5 BY: 

6 ITS: AUTHORIZED SIGNATOR

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8 RMSV BAY CITI PROPERTIES I DE, LLC

9 BY: 

10 ITS: AUTHORIZED SIGNATOR

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12 RMSV BAY CITI PROPERTIES B10 DE,
LLC

13 BY: 

14 ITS: AUTHORIZED SIGNATOR

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16 SKYLINE ENTERPRISES, LLC

17 BY: 

18 ITS: AUTHORIZED SIGNATOR

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20 SKYLINE ENTERPRISES DE, LLC

21 BY: 

22 ITS: AUTHORIZED SIGNATOR

23
24 SKYLINE INVESTMENTS, LLC

25 BY: 

26 ITS: AUTHORIZED SIGNATOR

SRV BAY CITI PROPERTIES DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES II, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES III DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES VIII, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES XV, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

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EXHIBIT A
PROPERTIES and ENTITIES

Properties	Ownership Entity	Managed by an entity related to Defendants
Management company	First Apts	
1100 Sacramento Street	1100 Park Lane Associates DE, LLC	X
124 Mason Street	124 Mason DE, LLC	
2238 Hyde Street –View Tower	2238 Hyde B10 DE, LLC	
500-506 Bartlett Street	500 Bartlett DE, LLC	
500 Larkin Street	500 Larkin B8A, LLC	
508 Larkin Street	500 Larkin B8A, LLC	
621 Stockton Street	621 Stockton DE, LLC	
737 Pine Street	737 Pine B10 DE, LLC	
950 Franklin Street	950 B14 DE, LLC	
977-995 Ellis Street	950 B14 DE, LLC	
969 Bush Street	Bay Citi Properties DE, LLC	X
915 Pierce Street	Bay Citi Properties II DE, LLC	X
601 O'Farrell Street	Bay Citi Properties DE, LLC	X
1035 Sutter Street	Citi Properties DE, LLC	X
11 Dolores Street	Citi Properties I DE, LLC	X
100 Broderick Street	Civic Properties DE, LLC	X
400 Duboce Street	Civic Properties DE, LLC	X
106 Sanchez Street	Civic Properties DE, LLC	
211 Church Street	FEL Properties B14 DE, LLC	
235-241 Church Street	FEL Properties B14 DE, LLC	
252-258 Church Street	FEL Properties B14 DE, LLC	
2073-2079 Market Street	FEL Properties B14 DE, LLC	
2097 Market / 211 Church Street	FEL Properties B14 DE, LLC	
1461 Burlingame Avenue, Burlingame	FEL-WRL Properties B14 DE, LLC	
1405 Franklin Street	Franklin /Sutter DE, LLC	X
1520 Gough Street	Gough Heights DE, LLC	
1550 Steiner Street	LEM/RAY Properties, LLC	X
935 Geary Street	LEM/RAY Properties I DE, LLC	X
81 9 th Street	LEM/RAY Properties I DE, LLC	X
1320/1340/1360/1380 Lombard Street	Lombard Place DE, LLC	
1304 Lombard Street	Lombard Place I DE, LLC	X

1	3715 California Street	LRL CitiGroup Properties DE, LLC	
	676 Geary Street	LRL CitiGroup Properties DE, LLC	
2	1500-1400 Geneva Avenue	LRL CitiGroup Properties DE, LLC	
	437 Hyde Street	LRL CitiGroup Properties DE, LLC	
3	825 Jones Street	LRL CitiGroup Properties DE, LLC	
	839 Jones Street	LRL CitiGroup Properties DE, LLC	
4	449 O'Farrell Street	LRL CitiGroup Properties DE, LLC	
	755 O'Farrell Street	LRL CitiGroup Properties DE, LLC	
5	925 Geary Street	LRL CitiGroup Properties II DE, LLC	X
6	540 Leavenworth	LRL CitiGroup Properties II DE, LLC	X
	1660 Bay Street	LSL Property Holdings V DE, LLC	
7	1840 Clay Street	LSL Property Holdings V DE, LLC	
	1690 North Point	LSL Property Holdings V DE, LLC	
8	2363 Van Ness Avenue	LSL Property Holdings V DE, LLC	
	2600 Van Ness Avenue	LSL Property Holdings VI DE, LLC	
9	2975 Van Ness Avenue	LSL Property Holdings VI DE, LLC	
10	1290 20 th Avenue	LSL Properties B14 DE, LLC	
	78 Buchanan Street	LSL Properties B14 DE, LLC	
11	1401 Jones Street	LSL Properties B14 DE, LLC	
	2677 Larkin Street	LSL Properties B14 DE, LLC	
12	1870 Pacific Avenue	LSL Properties B14 DE, LLC	
13	500 Stanyan Street	LSL Properties B14 DE, LLC	
	645 Stockton Street	LSL Properties B14 DE, LLC	
14	1340-1390 Taylor Street	LSL Properties B14 DE, LLC	
	1320 Washington Street	LSL Properties B14 DE, LLC	
15	650 Alvarado Street	Pacific Prestige Properties I DE, LLC	X
16	2120 California Street	Pacific Prestige Properties I DE, LLC	X
	610 Clipper Street	Pacific Prestige Properties I DE, LLC	X
17	660 Clipper Street	Pacific Prestige Properties I DE, LLC	X
	244 Grattan Street	Pacific Prestige Properties I DE, LLC	X
18	2140 Pacific Avenue	Pacific Prestige Properties I DE, LLC	X
	3099 Washington Street	Pacific Prestige Properties I DE, LLC	X
19	1126 Bush Street	Prime Apartment Properties B10 DE, LLC	
20	1547 Clay Street	Prime Apartment Properties B10 DE, LLC	
21	346 Leavenworth	Prime Apartment Properties B10 DE, LLC	
22	1020 Post Street	Prime Apartment Properties B10 DE, LLC	
23	300 Buchanan Street	Ritz Apartments DE, LLC	X
24	401 Hyde Street	RMSV Bay Citi Properties I DE, LLC	
25	325 9 th Avenue	RMSV Bay Citi Properties B10 DE, LLC	
26	1189-1189A DeHaro Street	Skyline Enterprises, LLC	X
27	210-218 Church/2101 Market Street	Skyline Enterprises DE	X
28			

1	215 - 219 Church Street	Skyline Enterprises DE	X
	240 - 250 Church Street	Skyline Enterprises DE, LLC	X
2	2337 Market Street	Skyline Enterprises DE, LLC	X
	2037-2039 15 th Street	Skyline Investments, LLC	X
3	1895 Jefferson	Skyline Investments, LLC	X
	1036 Mission Street	Skyline Investments, LLC	X
4	691 O'Farrell Street	SRV Bay Citi Properties DE, LLC	
5	709 Geary Street	SRV Bay Citi Properties DE, LLC	
	620 Jones Street	The Gaylord Hotel, LLC	X
6	122 Tiffany Avenue	Trophy Properties, LLC	X
	1855 10 th Avenue	Trophy Properties B10 DE, LLC	
7	520 Buchanan Street	Trophy Properties B10 DE, LLC	
	340 Church Street	Trophy Properties B10 DE, LLC	
8	4540 California Street	Trophy Properties B10 DE, LLC	
	2038 Divisadero Street	Trophy Properties B10 DE, LLC	
9	355 Fulton	Trophy Properties B10 DE, LLC	
10	1801 Gough Street	Trophy Properties B10 DE, LLC	
	1656 Leavenworth	Trophy Properties B10 DE, LLC	
11	1753 Mason Street	Trophy Properties B10 DE, LLC	
	3264 Mission Street	Trophy Properties B10 DE, LLC	
12	795 Pine Street	Trophy Properties B10 DE, LLC	
	1440 Sutter Street	Trophy Properties B10 DE, LLC	
13	350 Judah Street	Trophy Properties DE, LLC Trophy Properties II, LLC	X
14	411 15 th Avenue	Trophy Properties III DE	
15	1260 Broadway	Trophy Properties III DE	
16	3210 Gough Street	Trophy Properties III DE	
	2500 Van Ness Avenue	Trophy Properties III DE	
17	840 California Street	Trophy Properties III DE, LLC	
18	845 California Street	Trophy Properties III DE, LLC	
	3210 Gough Street	Trophy Properties III DE, LLC	
19	50 Joice Street	Trophy Properties III DE, LLC	
	655 Stockton Street	Trophy Properties III DE, LLC	
20	2500 Van Ness	Trophy Properties III DE, LLC	
21	2213 Market Street/230 Sanchez Street	Trophy Properties VIII, LLC	X
22	1348 Sacramento – Nob Hill Landing	Trophy Properties VIII, LLC	X
23	3000 24 th Street	Trophy Properties XIV DE, LLC	
24	191 Frederick	Trophy Properties XV, LLC	X
	890 Bush Street	Trophy Properties XV, LLC	X
25	1 Cabrillo Street	Trophy Properties XV, LLC	X

EXHIBIT B
STIPULATED INJUNCTION

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EXHIBIT C
STIPULATION FOR ENTRY OF JUDGMENT AND STIPULATED JUDGMENT

1 DENNIS J. HERRERA, State Bar #139669
City Attorney
2 ALEX G. TSE, State Bar #152348
Chief Attorney
3 YVONNE R. MERÉ, State Bar #173594
JENNIFER CHOI, State Bar #184058
4 JILL CANNON, State Bar #203471
Deputy City Attorneys
5 Fox Plaza
1390 Market Street, Sixth Floor
6 San Francisco, California 94102-5408
Telephone: (415) 554-3874
7 Facsimile: (415) 437-4644

8
9 Attorneys for Plaintiffs
CITY AND COUNTY OF SAN FRANCISCO and
PEOPLE OF THE STATE OF CALIFORNIA

10
11 SUPERIOR COURT OF THE STATE OF CALIFORNIA

12 COUNTY OF SAN FRANCISCO

13 UNLIMITED JURISDICTION

14 CITY AND COUNTY OF SAN
FRANCISCO, a Municipal Corporation, and
15 the PEOPLE OF THE STATE OF
CALIFORNIA, by and through DENNIS J.
16 HERRERA, City Attorney for the City and
County of San Francisco,

17 Plaintiffs,

18 vs.

19 SKYLINE REALTY INC.,
20 CITIAPARTMENTS INC., GAYLORD
HOTEL LLC, TROPHY PROPERTIES V DE
21 LLC, TROPHY PROPERTIES V DE
LLC, PRIME APARTMENT
22 PROPERTIES LLC, LSL PROPERTY
HOLDINGS II DE LLC, 737 PINE DE
23 LLC, TROPHY PROPERTIES VI LLC,
TROPHY PROPERTIES IV DE LLC,
24 NOB HILL TOWER DE LLC, AND DOE
ONE THROUGH DOE FIFTY

25 Defendants.
26
27
28

Case No. CGC 06-455-241

STIPULATION FOR ENTRY OF
JUDGMENT FOR MONETARY
PENALTIES

Date Action Filed: August 16, 2006
Trial Date: Not Yet Set

Attachments: Exhibit A

1
2 **INTRODUCTION**

3 This Stipulation for Entry of Judgment for Monetary Penalties ("Judgment") is entered into
4 between Plaintiffs CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, and
5 the PEOPLE OF THE STATE OF CALIFORNIA ("Plaintiffs" or the "City"), represented by their
6 attorney, DENNIS J. HERRERA, City Attorney, appearing through JENNIFER CHOI and
7 YVONNE R. MERÉ, Deputy City Attorneys, and Defendants SKYLINE REALTY INC.,
8 CITIAPARTMENTS INC., CITI FUNDING GROUP INC., CITISUITES LLC, LEMBI GROUP
9 INC., LEMBI GROUP PARTNERS LLC, 737 PINE DE LLC, 737 PINE B10 DE LLC, 737 PINE
10 B10 MEZZ DE LLC, 1155 LLC, THE GAYLORD HOTEL LLC, LSL PROPERTIES B14 DE
11 LLC, LSL PROPERTY HOLDINGS II DE LLC, LSL PROPERTY HOLDINGS II MEZZ LLC,
12 NOB HILL TOWER DE LLC, NOB HILL TOWER MEZZ DE LLC, PRIME APARTMENT
13 PROPERTIES LLC, PRIME APARTMENT PROPERTIES B10 DE LLC, PRIME APARTMENT
14 PROPERTIES B10 MEZZ DE LLC, TROPHY PROPERTIES B10 DE LLC, TROPHY
15 PROPERTIES IV DE LLC, TROPHY PROPERTIES IV B8A LLC, TROPHY PROPERTIES IV
16 MEZZ DE LLC, TROPHY PROPERTIES V LLC, TROPHY PROPERTIES V DE LLC,
17 TROPHY PROPERTIES VI LLC, TROPHY PROPERTIES IV B8A MANAGER LLC, FIRST
18 APARTMENT RENTALS INC., 1100 PARK LANE ASSOCIATES DE, LLC, 124 MASON DE,
19 LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT DE, LLC, 500 LARKIN B8A, LLC, 950 B14
20 DE, LLC, BAY CITI PROPERTIES DE, LLC, CITI PROPERTIES DE, LLC, CITI
21 PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN /SUTTER DE, LLC,
22 GOUGH HEIGHTS DE, LLC, LEM/RAY PROPERTIES, LLC, LEM/RAY PROPERTIES I DE,
23 LLC, LOMBARD PLACE DE, LLC, LOMBARD PLACE I DE LLC, LRL CITIGROUP
24 PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL PROPERTY
25 HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC, PACIFIC PRESTIGE
26 PROPERTIES I DE, LLC, RITZ APARTMENTS DE, LLC, RMSV BAY CITI PROPERTIES I
27 DE, LLC, RMSV BAY CITI PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC,
28

1 SKYLINE ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY CITI
2 PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC, TROPHY PROPERTIES II, LLC,
3 TROPHY PROPERTIES III DE, LLC, TROPHY PROPERTIES VIII, LLC, and TROPHY
4 PROPERTIES XV, LLC ("Corporate and Entity Defendants"), represented by their attorney
5 EDWARD C. SINGER, JR. Plaintiffs and DEFENDANTS may be referred to below collectively
6 as the "Parties" and individually as a "Party."

7 Plaintiffs and Corporate and Entity Defendants stipulate to the entry of Judgment for
8 monetary penalties on the following terms.

9 In the event the Corporate and Entity Defendants fail to timely and fully comply with the
10 Additional Payment requirements in Section D of the Settlement Agreement, the Parties Stipulate
11 to Entry of Judgment against the Corporate and Entity Defendants in the amount of \$1,600,000,
12 minus credit for any Additional Payments made pursuant to the Settlement Agreement, plus all
13 applicable interest as provided by Code of Civil Procedure sections 685.010 and 685.020. The
14 Parties agree that the obligations arising out of this Judgment shall rest with the Corporate and
15 Entity Defendants listed above which are agreeing to be bound by a Judgment, jointly and
16 severally.

17 Plaintiff may apply *ex parte* to the Superior Court of the County of San Francisco upon
18 giving the Corporate and Entity Defendants 48-hours notice. Notice can be given by telephone or
19 facsimile to Edward C. Singer, Jr. at the telephone number or facsimile number then listed with the
20 State Bar of California. By reaching a settlement and agreeing to stipulate to entry of Judgment
21 for civil penalties, the Corporate and Entity Defendants are not making any admission of liability
22 or wrongdoing.

1 SO STIPULATED:

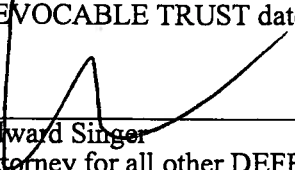
2 DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

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7 Attorney for Plaintiffs
8 CITY AND COUNTY OF SAN
9 FRANCISCO and PEOPLE OF THE
10 STATE OF CALIFORNIA

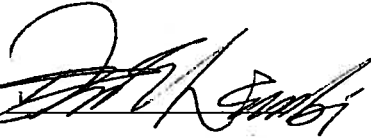
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Earl Bohachek
13 Attorney for DEFENDANTS
14 DAVID RAYNAL individually and as
15 TRUSTEE of the DAVID M. RAYNAL
16 REVOCABLE TRUST dated May 9, 2002

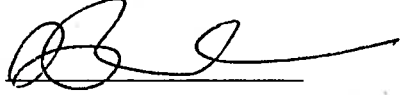
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Edward Singer
20 Attorney for all other DEFENDANTS
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FRANK LEMBI



DAVID RAYNAL



FRANK LEMBI as TRUSTEE of the FRANK E. LEMBI SURVIVOR'S TRUST dated February 17, 1984, as restated on June 2, 1999



FRANK LEMBI, as TRUSTEE of the OLGA LEMBI RESIDUAL TRUST created under the provisions of Part Three of the LEMBI FAMILY TRUST dated February 17, 1984




DAVID RAYNAL, as TRUSTEE of the DAVID M. RAYNAL REVOCABLE TRUST dated May 9, 2002

WALTER LEMBI, as TRUSTEE of the WALTER AND LINDA LEMBI FAMILY TRUST dated June 30, 2004

BY: 

ITS: ATTORNEY OF RECORD

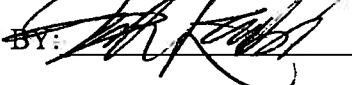
SKYLINE REALTY INC.

BY: 

ITS: AUTHORIZED SIGNATOR

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City and County of San Francisco
and the People of the State of California

BY: 

ITS: AUTHORIZED SIGNATOR

1 CITIAPARTMENTS INC.

2 BY: 

3 ITS: AUTHORIZED SIGNATOR

4 LEMBI GROUP INC.

5 BY: 

6 ITS: AUTHORIZED SIGNATOR

7 LEMBI GROUP PARTNERS, LLC

8 BY: 

9 ITS: AUTHORIZED SIGNATOR

10 737 PINE DE, LLC

11 BY: 

12 ITS: AUTHORIZED SIGNATOR

13 737 PINE B10 DE, LLC

14 BY: 

15 ITS: AUTHORIZED SIGNATOR

16 737 PINE B10 MEZZ DE, LLC

17 BY: 

18 ITS: AUTHORIZED SIGNATOR

19 1155, LLC

20 BY: 

21 ITS: AUTHORIZED SIGNATOR

22 THE GAYLORD HOTEL, LLC

23 BY: 

24 ITS: AUTHORIZED SIGNATOR

LSL PROPERTIES B14 DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

LSL PROPERTY HOLDINGS II MEZZ, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

NOB HILL TOWER DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

NOB HILL TOWER MEZZ DE, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES, LLC

BY: 

ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES B10 DE
LLC

BY: 

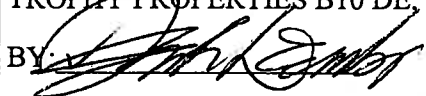
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PRIME APARTMENT PROPERTIES B10
MEZZ DE, LLC

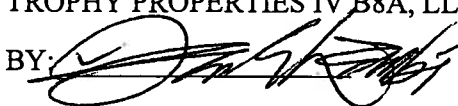
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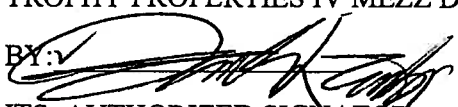
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TROPHY PROPERTIES B10 DE, LLC
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ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES IV DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES IV B8A, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES IV MEZZ DE, LLC
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ITS: AUTHORIZED SIGNATOR

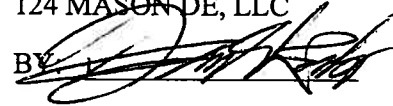
TROPHY PROPERTIES V, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

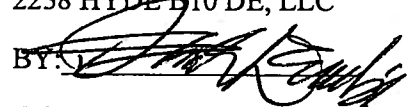
TROPHY PROPERTIES V DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES VI, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

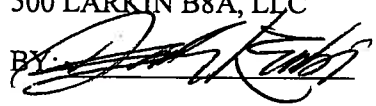
TROPHY PROPERTIES IV B8A MANAGER,
LLC
BY: 
ITS: AUTHORIZED SIGNATOR

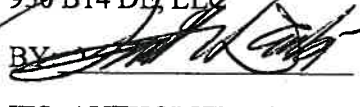
FIRST APARTMENT RENTALS INC.
BY: 
ITS: AUTHORIZED SIGNATOR

124 MASON DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

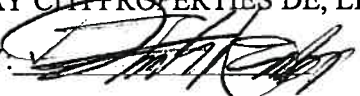
2238 HYDE B10 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

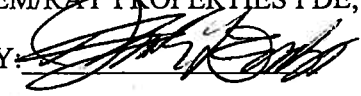
500 BARTLETT DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

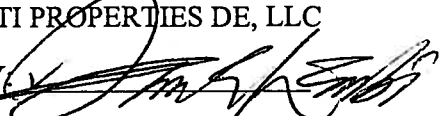
500 LARKIN B8A, LLC
BY: 
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950 B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

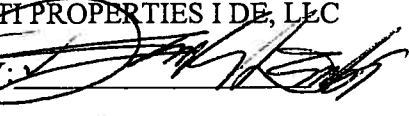
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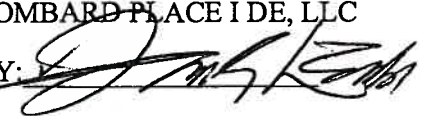
BAY CITI PROPERTIES DE, LLC
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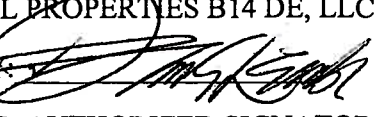
LEM/RAY PROPERTIES I DE, LLC
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ITS: AUTHORIZED SIGNATOR

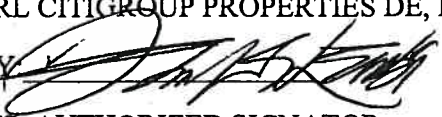
CITI PROPERTIES DE, LLC
BY: 
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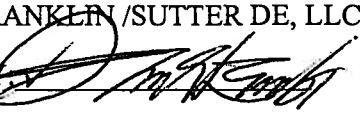
LOMBARD PLACE DE, LLC
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ITS: AUTHORIZED SIGNATOR

CITI PROPERTIES I DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


LOMBARD PLACE I DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

FEL PROPERTIES B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


LRL CITIGROUP PROPERTIES DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


FRANKLIN /SUTTER DE, LLC
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LSL PROPERTY HOLDINGS V DE, LLC
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GOUGH HEIGHTS DE, LLC
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LSL PROPERTY HOLDINGS VI DE, LLC
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LEM/RAY PROPERTIES, LLC
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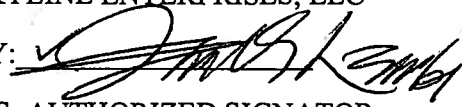
LSL PROPERTIES B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

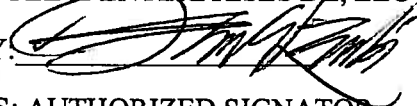
1 PACIFIC PRESTIGE PROPERTIES I DE,
LLC
2 BY: 
3 ITS: AUTHORIZED SIGNATOR

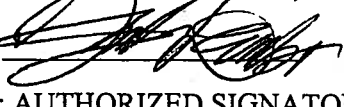
4 RITZ APARTMENTS DE, LLC
5 BY: 
6 ITS: AUTHORIZED SIGNATOR


7
8 RMSV BAY CITI PROPERTIES I DE, LLC
9 BY: 
10 ITS: AUTHORIZED SIGNATOR

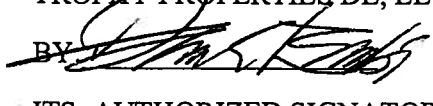
11
12 RMSV BAY CITI PROPERTIES B10 DE,
LLC
13 BY: 
14 ITS: AUTHORIZED SIGNATOR

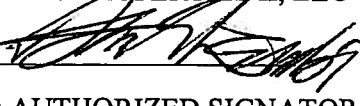
15
16 SKYLINE ENTERPRISES, LLC
17 BY: 
18 ITS: AUTHORIZED SIGNATOR


19 SKYLINE ENTERPRISES DE, LLC
20 BY: 
21 ITS: AUTHORIZED SIGNATOR

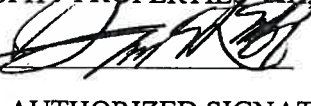
SKYLINE INVESTMENTS, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

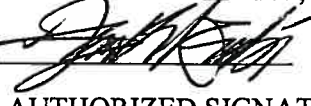
SRV BAY CITI PROPERTIES DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES II, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES III DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES VIII, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES XV, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

1 IT IS SO ORDERED:
2 DATED:

JUDGE OF THE SUPERIOR COURT

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EXHIBIT A

STIPULATED JUDGMENT FOR MONETARY PENALTIES

1 DENNIS J. HERRERA, State Bar #139669
2 City Attorney
3 ALEX G. TSE, State Bar #152348
4 Chief Attorney
5 YVONNE R. MERÉ, State Bar #173594
6 JENNIFER CHOI, State Bar #184058
7 JILL CANNON, State Bar #203471
8 Deputy City Attorneys
9 Fox Plaza
10 1390 Market Street, Sixth Floor
11 San Francisco, California 94102-5408
12 Telephone: (415) 554-3874
13 Facsimile: (415) 437-4644

14 Attorneys for Plaintiffs
15 CITY AND COUNTY OF SAN FRANCISCO and
16 PEOPLE OF THE STATE OF CALIFORNIA

17 SUPERIOR COURT OF THE STATE OF CALIFORNIA
18 COUNTY OF SAN FRANCISCO
19 UNLIMITED JURISDICTION

20 CITY AND COUNTY OF SAN
21 FRANCISCO, a Municipal Corporation, and
22 the PEOPLE OF THE STATE OF
23 CALIFORNIA, by and through DENNIS J.
24 HERRERA, City Attorney for the City and
25 County of San Francisco,

26 Plaintiffs,

27 vs.

28 SKYLINE REALTY INC.,
CITIAPARTMENTS INC., GAYLORD
HOTEL LLC, TROPHY PROPERTIES V
LLC, TROPHY PROPERTIES V DE
LLC, PRIME APARTMENT
PROPERTIES LLC, LSL PROPERTY
HOLDINGS II DE LLC, 737 PINE DE
LLC, TROPHY PROPERTIES VI LLC,
TROPHY PROPERTIES IV DE LLC,
NOB HILL TOWER DE LLC, AND DOE
ONE THROUGH DOE FIFTY

Defendants.

Case No. CGC 06-455-241

STIPULATED JUDGMENT FOR
MONETARY PENALTIES

Date Action Filed: August 16, 2006
Trial Date: Not Yet Set

1
2 **INTRODUCTION**

3 This Stipulated Judgment and Order for Monetary Penalties ("Judgment" or "Order") was
4 presented before the above-captioned Court, the Honorable JOHN E. MUNTER, presiding.
5 Plaintiffs CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, and the
6 PEOPLE OF THE STATE OF CALIFORNIA ("Plaintiffs" or the "City"), were represented by
7 their attorney, DENNIS J. HERRERA, City Attorney, appearing through JENNIFER CHOI and
8 YVONNE R. MERÉ, Deputy City Attorneys. Defendants SKYLINE REALTY INC.,
9 CITIAPARTMENTS INC., CITI FUNDING GROUP INC., CITISUITES LLC, LEMBI GROUP
10 INC., LEMBI GROUP PARTNERS LLC, 737 PINE DE LLC, 737 PINE B10 DE, LLC, 737
11 PINE B10 MEZZ DE LLC, 1155 LLC, THE GAYLORD HOTEL, LLC, LSL PROPERTIES B14
12 DE, LLC, LSL PROPERTY HOLDINGS II DE, LLC, LSL PROPERTY HOLDINGS II MEZZ ,
13 LLC, NOB HILL TOWER DE, LLC, NOB HILL TOWER MEZZ DE, LLC, PRIME
14 APARTMENT PROPERTIES, LLC, PRIME APARTMENT PROPERTIES B10 DE, LLC,
15 PRIME APARTMENT PROPERTIES B10 MEZZ DE, LLC, TROPHY PROPERTIES B10 DE,
16 LLC, TROPHY PROPERTIES IV DE, LLC, TROPHY PROPERTIES IV B8A, LLC, TROPHY
17 PROPERTIES IV MEZZ DE, LLC, TROPHY PROPERTIES V, LLC, TROPHY PROPERTIES
18 V DE, LLC, TROPHY PROPERTIES VI, LLC, TROPHY PROPERTIES IV B8A MANAGER,
19 LLC, FIRST APARTMENT RENTALS INC., 1100 PARK LANE ASSOCIATES DE, LLC, 124
20 MASON DE, LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT DE, LLC, 500 LARKIN B8A,
21 LLC, 950 B14 DE, LLC, BAY CITI PROPERTIES DE, LLC, CITI PROPERTIES DE, LLC, CITI
22 PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN /SUTTER DE, LLC,
23 GOUGH HEIGHTS DE, LLC, LEM/RAY PROPERTIES, LLC, LEM/RAY PROPERTIES I DE,
24 LLC, LOMBARD PLACE DE, LLC, LOMBARD PLACE I DE, LLC, LRL CITIGROUP
25 PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL PROPERTY
26 HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC, PACIFIC PRESTIGE
27 PROPERTIES I DE, LLC, RITZ APARTMENTS DE, LLC, RMSV BAY CITI PROPERTIES I
28

1 DE, LLC, RMSV BAY CITI PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC,
2 SKYLINE ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY CITI
3 PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC, TROPHY PROPERTIES II, LLC,
4 TROPHY PROPERTIES III DE, LLC, TROPHY PROPERTIES VIII, LLC, and TROPHY
5 PROPERTIES XV, LLC ("CORPORATE AND ENTITY DEFENDANTS") were represented by
6 their attorney EDWARD C. SINGER, JR.

7 Plaintiffs and CORPORATE AND ENTITY DEFENDANTS ("Parties") consent to entry
8 of this Stipulated Judgment for Monetary Penalties as an Order of the Court without a noticed
9 motion, hearing or trial.

10 The Parties agree that the obligations arising out of this Judgment shall rest with the
11 CORPORATE AND ENTITY DEFENDANTS listed above which are agreeing to be bound by
12 this Judgment, jointly and severally.

13 By reaching a settlement and agreeing to stipulate to a judgment for civil penalties, the
14 CORPORATE AND ENTITY DEFENDANTS are not making any admission of liability or
15 wrongdoing.

16 The CORPORATE AND ENTITY DEFENDANTS having stipulated to the provisions set
17 forth herein, the Court having reviewed the provisions, the Parties having agreed to the issuance of
18 this Judgment, and good cause appearing therefor,

19 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED:**

20 1. That pursuant to California Business and Professions Code Sections 17200-17210,
21 San Francisco Housing Code section 204(c)(2), San Francisco Building Code section 103A, San
22 Francisco Electrical Code section 89.125, and San Plumbing Code section 102.3.2, the Corporate
23 and Entity Defendants pay civil penalties in the amount of \$1,600,000, minus the amount already
24 paid _____, plus all applicable interest as provided by Code of Civil
25 Procedure sections 685.010 and 685.020, for total amount of _____.

26 2. This Stipulated Judgment for Monetary Penalties will be recorded. Upon receipt of
27 the full and complete payment or satisfaction of the obligation in accordance with the terms of the
28

1 Settlement Agreement executed between the Parties, Plaintiffs will, upon request, file and record a
2 Satisfaction of Judgment with respect to this monetary judgment only.

3
4 SO STIPULATED:

5 DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

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Attorney for Plaintiffs
CITY AND COUNTY OF SAN
FRANCISCO and PEOPLE OF THE
STATE OF CALIFORNIA

Earl Bohachek
Attorney for DEFENDANTS
DAVID RAYNAL individually and as
TRUSTEE of the DAVID M. RAYNAL
REVOCABLE TRUST dated May 9, 2002

Edward Singer
Attorney for all other DEFENDANTS

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FRANK LEMBI

DAVID RAYNAL

FRANK LEMBI as TRUSTEE of the FRANK
E. LEMBI SURVIVOR'S TRUST dated
February 17, 1984, as restated on June 2, 1999

FRANK LEMBI, as TRUSTEE of the OLGA
LEMBI RESIDUAL TRUST created under the
provisions of Part Three of the LEMBI
FAMILY TRUST dated February 17, 1984

DAVID RAYNAL, as TRUSTEE of the
DAVID M. RAYNAL REVOCABLE TRUST
dated May 9, 2002

WALTER LEMBI, as TRUSTEE of the
WALTER AND LINDA LEMBI FAMILY
TRUST dated June 30, 2004

BY: _____

ITS: ATTORNEY OF RECORD

SKYLINE REALTY INC.

BY: _____

ITS: AUTHORIZED SIGNATOR

///
///

City and County of San Francisco
and the People of the State of California

BY: _____

ITS: AUTHORIZED SIGNATOR

1 CITIAPARTMENTS INC.
2 BY: _____
3 ITS: AUTHORIZED SIGNATOR
4 LEMBI GROUP INC.
5 BY: _____
6 ITS: AUTHORIZED SIGNATOR
7
8 LEMBI GROUP PARTNERS, LLC
9 BY: _____
10 ITS: AUTHORIZED SIGNATOR
11 737 PINE DE, LLC
12 BY: _____
13 ITS: AUTHORIZED SIGNATOR
14
15 737 PINE B10 DE, LLC
16 BY: _____
17 ITS: AUTHORIZED SIGNATOR
18 737 PINE B10 MEZZ DE, LLC
19 BY: _____
20 ITS: AUTHORIZED SIGNATOR
21 1155, LLC
22 BY: _____
23 ITS: AUTHORIZED SIGNATOR
24
25 THE GAYLORD HOTEL, LLC
26 BY: _____
27 ITS: AUTHORIZED SIGNATOR

LSL PROPERTIES B14 DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LSL PROPERTY HOLDINGS II MEZZ, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
NOB HILL TOWER DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
NOB HILL TOWER MEZZ DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
PRIME APARTMENT PROPERTIES, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
PRIME APARTMENT PROPERTIES B10 DE
LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
PRIME APARTMENT PROPERTIES B10
MEZZ DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

1	TROPHY PROPERTIES B10 DE, LLC	TROPHY PROPERTIES IV B8A MANAGER, LLC
2	BY: _____	BY: _____
3	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
4	TROPHY PROPERTIES IV DE, LLC	FIRST APARTMENT RENTALS INC.
5	BY: _____	BY: _____
6	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
7		
8	TROPHY PROPERTIES IV B8A, LLC	124 MASON DE, LLC
9	BY: _____	BY: _____
10	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
11	TROPHY PROPERTIES IV MEZZ DE, LLC	2238 HYDE B10 DE, LLC
12	BY: _____	BY: _____
13	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
14		
15	TROPHY PROPERTIES V, LLC	500 BARTLETT DE, LLC
16	BY: _____	BY: _____
17	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
18	TROPHY PROPERTIES V DE, LLC	500 LARKIN B8A, LLC
19	BY: _____	BY: _____
20	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR
21		
22	TROPHY PROPERTIES VI, LLC	950 B14 DE, LLC
23	BY: _____	BY: _____
24	ITS: AUTHORIZED SIGNATOR	ITS: AUTHORIZED SIGNATOR

1 BAY CITI PROPERTIES DE, LLC
2 BY: _____
3 ITS: AUTHORIZED SIGNATOR
4 CITI PROPERTIES DE, LLC
5 BY: _____
6 ITS: AUTHORIZED SIGNATOR
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8 CITI PROPERTIES I DE, LLC
9 BY: _____
10 ITS: AUTHORIZED SIGNATOR
11 FEL PROPERTIES B14 DE, LLC
12 BY: _____
13 ITS: AUTHORIZED SIGNATOR
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15 FRANKLIN /SUTTER DE, LLC
16 BY: _____
17 ITS: AUTHORIZED SIGNATOR
18 GOUGH HEIGHTS DE, LLC
19 BY: _____
20 ITS: AUTHORIZED SIGNATOR
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22 LEM/RAY PROPERTIES, LLC
23 BY: _____
24 ITS: AUTHORIZED SIGNATOR

LEM/RAY PROPERTIES I DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LOMBARD PLACE DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LOMBARD PLACE I DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LRL CITIGROUP PROPERTIES DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LSL PROPERTY HOLDINGS V DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LSL PROPERTY HOLDINGS VI DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR
LSL PROPERTIES B14 DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

1 PACIFIC PRESTIGE PROPERTIES I DE,
LLC
2 BY: _____
3 ITS: AUTHORIZED SIGNATOR
4
5 RITZ APARTMENTS DE, LLC
6 BY: _____
7 ITS: AUTHORIZED SIGNATOR
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9 RMSV BAY CITI PROPERTIES I DE, LLC
10 BY: _____
11 ITS: AUTHORIZED SIGNATOR
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13 RMSV BAY CITI PROPERTIES B10 DE,
LLC
14 BY: _____
15 ITS: AUTHORIZED SIGNATOR
16
17 SKYLINE ENTERPRISES, LLC
18 BY: _____
19 ITS: AUTHORIZED SIGNATOR
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21 SKYLINE ENTERPRISES DE, LLC
22 BY: _____
23 ITS: AUTHORIZED SIGNATOR
24
25 SKYLINE INVESTMENTS, LLC
26 BY: _____
27 ITS: AUTHORIZED SIGNATOR
28

SRV BAY CITI PROPERTIES DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES II, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES III DE, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES VIII, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES XV, LLC
BY: _____
ITS: AUTHORIZED SIGNATOR

1 IT IS SO ORDERED:
2 DATED:

JUDGE OF THE SUPERIOR COURT

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1 DENNIS J. HERRERA, State Bar #139669
City Attorney
2 ALEX G. TSE, State Bar #152348
Chief Attorney
3 YVONNE R. MERÉ, State Bar #173594
JENNIFER CHOI, State Bar #184058
4 JILL CANNON, State Bar #203471
Deputy City Attorneys
5 Fox Plaza
1390 Market Street, Sixth Floor
6 San Francisco, California 94102-5408
Telephone: (415) 554-3874
7 Facsimile: (415) 437-4644

8 Attorneys for Plaintiffs
9 CITY AND COUNTY OF SAN FRANCISCO and
10 PEOPLE OF THE STATE OF CALIFORNIA

11 SUPERIOR COURT OF THE STATE OF CALIFORNIA
12 COUNTY OF SAN FRANCISCO
13 UNLIMITED JURISDICTION

14 CITY AND COUNTY OF SAN
FRANCISCO, a Municipal Corporation, and
15 the PEOPLE OF THE STATE OF
CALIFORNIA, by and through DENNIS J.
16 HERRERA, City Attorney for the City and
County of San Francisco,

17 Plaintiffs,

18 vs.

19 SKYLINE REALTY INC.,
20 CITIAPARTMENTS INC., GAYLORD
HOTEL LLC, TROPHY PROPERTIES V
21 LLC, TROPHY PROPERTIES V DE
LLC, PRIME APARTMENT
22 PROPERTIES LLC, LSL PROPERTY
HOLDINGS II DE LLC, 737 PINE DE
23 LLC, TROPHY PROPERTIES VI LLC,
TROPHY PROPERTIES IV DE LLC,
24 NOB HILL TOWER DE LLC, AND DOE
ONE THROUGH DOE FIFTY

25 Defendants.
26
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Case No. CGC 06-455-241

STIPULATED INJUNCTION

Date Action Filed: August 16, 2006
Trial Date: Not Yet Set

Attachments: Exhibits A-C

INTRODUCTION

1
2 This Stipulated Injunction ("Injunction") was presented before the above-captioned Court,
3 the Honorable JOHN E. MUNTER, presiding. Plaintiffs CITY AND COUNTY OF SAN
4 FRANCISCO, a municipal corporation, and the PEOPLE OF THE STATE OF CALIFORNIA
5 ("Plaintiffs" or the "City"), were represented by their attorney, DENNIS J. HERRERA, City
6 Attorney, appearing through JENNIFER E. CHOI and YVONNE R. MERÉ, Deputy City
7 Attorneys. Defendants SKYLINE REALTY INC., CITIAPARTMENTS INC., CITI FUNDING
8 GROUP INC., CITISUITES LLC, LEMBI GROUP INC., LEMBI GROUP PARTNERS, LLC,
9 FRANK LEMBI, WALTER LEMBI, DAVID RAYNAL, FRANK LEMBI as TRUSTEE of the
10 FRANK E. LEMBI SURVIVOR'S TRUST dated February 17, 1984, as restated on June 2, 1999,
11 FRANK LEMBI, as TRUSTEE of the OLGA LEMBI RESIDUAL TRUST created under the
12 provisions of Part Three of the LEMBI FAMILY TRUST dated February 17, 1984, WALTER
13 LEMBI, as TRUSTEE of the WALTER AND LINDA LEMBI FAMILY TRUST dated June 30,
14 2004, DAVID RAYNAL, as TRUSTEE of the DAVID M. RAYNAL REVOCABLE TRUST
15 dated May 9, 2002, 737 PINE DE LLC, 737 PINE B10 DE, LLC, 737 PINE B10 MEZZ DE,
16 LLC, 1155 LLC, THE GAYLORD HOTEL, LLC, LSL PROPERTIES B14 DE LLC, LSL
17 PROPERTY HOLDINGS II DE, LLC, LSL PROPERTY HOLDINGS II MEZZ, LLC, NOB
18 HILL TOWER DE, LLC, NOB HILL TOWER MEZZ DE, LLC, PRIME APARTMENT
19 PROPERTIES, LLC, PRIME APARTMENT PROPERTIES B10 DE, LLC, PRIME
20 APARTMENT PROPERTIES B10 MEZZ DE, LLC, TROPHY PROPERTIES B10 DE, LLC,
21 TROPHY PROPERTIES IV DE, LLC, TROPHY PROPERTIES IV B8A, LLC, TROPHY
22 PROPERTIES IV MEZZ DE, LLC, TROPHY PROPERTIES V, LLC, TROPHY PROPERTIES
23 V DE, LLC, TROPHY PROPERTIES VI, LLC, TROPHY PROPERTIES IV B8A MANAGER,
24 LLC and FIRST APARTMENT RENTALS, INC., 1100 PARK LANE ASSOCIATES DE, LLC,
25 124 MASON DE, LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT DE, LLC, 500 LARKIN
26 B8A, LLC, 950 B14 DE, LLC, BAY CITI PROPERTIES DE, LLC, CITI PROPERTIES DE,
27 LLC, CITI PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN /SUTTER
28

1 DE, LLC, GOUGH HEIGHTS DE, LLC, LEM/RAY PROPERTIES, LLC, LEM/RAY
2 PROPERTIES I DE, LLC, LOMBARD PLACE DE, LLC, LOMBARD PLACE I DE LLC, LRL
3 CITIGROUP PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL
4 PROPERTY HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC, PACIFIC PRESTIGE
5 PROPERTIES I DE, LLC, RITZ APARTMENTS DE, LLC, RMSV BAY CITI PROPERTIES I
6 DE, LLC, RMSV BAY CITI PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC,
7 SKYLINE ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY CITI
8 PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC, TROPHY PROPERTIES II, LLC,
9 TROPHY PROPERTIES III DE, LLC, TROPHY PROPERTIES VIII, LLC, and TROPHY
10 PROPERTIES XV, LLC ("DEFENDANTS") were represented by their attorneys EDWARD C.
11 SINGER, JR. and EARL BOHACHEK, as to DAVID RAYNAL and his trust only.

12 Walter Lembi is deceased and no successor trustee has been named as Trustee of the
13 Walter and Linda Lembi Family Trust dated June 30, 2004.

14 Plaintiffs and DEFENDANTS (collectively, the "Parties") consent to entry of this
15 Stipulated Injunction as an Order by this Court without a noticed motion, hearing or trial.

16 The Parties having stipulated to the provisions set forth herein, the Court having reviewed
17 the provisions, the Parties having agreed to the issuance of this Order, and good cause appearing
18 therefore,

19 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED:**

20
21 **GENERAL PROVISIONS**

22 Plaintiffs brought this action pursuant to various provisions of state and local law including
23 California Business and Professions Code Sections 17200-17210, California Civil Code Sections
24 3479, 3480, 3491, and 3494, California Code of Civil Procedure Section 731, California Health
25 and Safety Code Sections 17910 et seq., and the San Francisco Housing, Building, Plumbing,
26 Electrical, and Administrative Codes.

1 **I. JURISDICTION**

2 This Court has jurisdiction over the subject matter and each of the Parties in this action.
3 The Court issues this Order pursuant to its authority under California Business and Professions
4 Code Section 17203, Civil Code Sections 3491, 3494, and Code of Civil Procedure Section 731.
5 The Court expressly retains jurisdiction to interpret and enforce this Injunction. The Court may
6 hear and decide issues regarding the scope and effect of the injunctive provisions. Any party to
7 this Injunction or entity bound by this Injunction may apply to the Court at any time, after making
8 a reasonable effort to meet and confer with the other Parties, for further orders and directions as
9 may be necessary or appropriate for the construction, application, carrying out or enforcement of
10 the injunctive provisions. The Court may modify any of the injunctive provisions and take such
11 further action as may be necessary or appropriate to enforce the injunctive provisions, and to
12 punish any violations. The Parties agree that the obligations arising out of this Injunction shall rest
13 with all DEFENDANTS and/or FUTURE ENTITIES, as defined herein, jointly and severally,
14 except as otherwise specifically provided.

15 **II. AUTHORITY**

16 Plaintiffs have the authority under California law to maintain this action to protect the
17 People of the State of California.
18

19 **III. APPLICATION**

20 In the Action, Plaintiffs allege that DEFENDANTS' employed a business model that
21 systematically and unlawfully dispossessed long-term residential tenants of their rent-controlled
22 apartments, leaving DEFENDANTS free to make significant unpermitted renovations and to re-
23 rent those newly renovated units to new tenants at dramatically increased market rates. These
24 business practices violated various provisions of state and local law including California Business
25 and Professions Code Sections 17200-17210, California Civil Code Sections 3479, 3480, 3491,
26 and 3494, California Code of Civil Procedure Section 731, California Health and Safety Code
27
28

1 Sections 17910 et seq., and the San Francisco Housing, Building, Plumbing, Electrical, and
2 Administrative Codes. Plaintiffs further allege that the business entity DEFENDANTS were
3 organized and operated in such way that they were the alter egos of DEFENDANTS FRANK
4 LEMBI, WALTER LEMBI, and DAVID RAYNAL.

5 DEFENDANTS dispute Plaintiffs' claims, allegations and alter ego theories of liability and
6 deny the violations Plaintiffs allege.

7 In an effort to come to a negotiated resolution of all of the claims that have arisen in this
8 action, the Parties are executing three separate settlement documents: this Injunction, a Settlement
9 Agreement, and a Stipulated Judgment and Order for Monetary Penalties. By reaching a
10 settlement and agreeing to injunctive terms and payment of civil penalties, DEFENDANTS are not
11 admitting any wrongdoing or making any admission of liability.

12
13 **A. DEFINITIONS**

- 14 1. "BONA FIDE THIRD PARTY" is any entity or individual except the
15 following: 1) an individual or entity who is a DEFENDANT, FUTURE
16 ENTITY and/or RELATED PARTY including any trust created by or for
17 the benefit of the foregoing.
- 18 2. "BONA FIDE THIRD PARTY LENDER/S" shall include the following: a
19 savings bank, a savings and loan association, a commercial bank or trust
20 company, an insurance company, a governmental agency, an investment
21 bank, a merchant bank, a brokerage firm, or an entity or individual that
22 lends money and that in each instance is not a RELATED PARTY.
- 23 3. "CORPORATE AND ENTITY DEFENDANTS" includes the following
24 DEFENDANTS: SKYLINE REALTY INC., CITIAPARTMENTS INC.,
25 CITI FUNDING GROUP INC., CITISUITES LLC, LEMBI GROUP INC.,
26 LEMBI GROUP PARTNERS LLC, 737 PINE DE LLC, 737 PINE B10 DE,
27 LLC, 737 PINE B10 MEZZ DE LLC, 1155 LLC, THE GAYLORD
28

1 HOTEL, LLC, LSL PROPERTIES B14 DE, LLC, LSL PROPERTY
2 HOLDINGS II DE, LLC, LSL PROPERTY HOLDINGS II MEZZ , LLC,
3 NOB HILL TOWER DE, LLC, NOB HILL TOWER MEZZ DE, LLC,
4 PRIME APARTMENT PROPERTIES, LLC, PRIME APARTMENT
5 PROPERTIES B10 DE, LLC, PRIME APARTMENT PROPERTIES B10
6 MEZZ DE, LLC, TROPHY PROPERTIES B10 DE, LLC, TROPHY
7 PROPERTIES IV DE, LLC, TROPHY PROPERTIES IV B8A, LLC,
8 TROPHY PROPERTIES IV MEZZ DE, LLC, TROPHY PROPERTIES V,
9 LLC, TROPHY PROPERTIES V DE, LLC, TROPHY PROPERTIES VI,
10 LLC, TROPHY PROPERTIES IV B8A MANAGER, LLC, FIRST
11 APARTMENT RENTALS INC., 1100 PARK LANE ASSOCIATES DE,
12 LLC, 124 MASON DE, LLC, 2238 HYDE B10 DE, LLC, 500 BARTLETT
13 DE, LLC, 500 LARKIN B8A, LLC, 950 B14 DE, LLC, BAY CITI
14 PROPERTIES DE, LLC, CITI PROPERTIES DE, LLC, CITI
15 PROPERTIES I DE, LLC, FEL PROPERTIES B14 DE, LLC, FRANKLIN
16 /SUTTER DE, LLC, GOUGH HEIGHTS DE, LLC, LEM/RAY
17 PROPERTIES, LLC, LEM/RAY PROPERTIES I DE, LLC, LOMBARD
18 PLACE DE, LLC, LOMBARD PLACE I DE, LLC, LRL CITIGROUP
19 PROPERTIES DE, LLC, LSL PROPERTY HOLDINGS V DE, LLC, LSL
20 PROPERTY HOLDINGS VI DE, LLC, LSL PROPERTIES B14 DE, LLC,
21 PACIFIC PRESTIGE PROPERTIES I DE, LLC, RITZ APARTMENTS
22 DE, LLC, RMSV BAY CITI PROPERTIES I DE, LLC, RMSV BAY CITI
23 PROPERTIES B10 DE, LLC, SKYLINE ENTERPRISES, LLC, SKYLINE
24 ENTERPRISES DE, LLC, SKYLINE INVESTMENTS, LLC, SRV BAY
25 CITI PROPERTIES DE, LLC, TROPHY PROPERTIES DE, LLC,
26 TROPHY PROPERTIES II, LLC, TROPHY PROPERTIES III DE, LLC,
27
28

1 TROPHY PROPERTIES VIII, LLC, and TROPHY PROPERTIES XV,
2 LLC.

- 3 4. "FUTURE ENTITY/IES" means any entity (including, without limitation,
4 any partnership, corporation, limited liability company, joint stock
5 company, trust, unincorporated association, joint venture or any other entity
6 or association) currently in existence or formed during the effective period
7 of the Agreement, where a MAJORITY INTEREST exists or is obtained
8 during the effective period of this Agreement.
- 9 5. "MAJORITY INTEREST" is an ownership interest in a business entity or
10 PROPERTY, where DEFENDANTS or FUTURE ENTITIES, alone, or in
11 combination with one another, or in combination with a RELATED
12 PARTY, directly or indirectly, possess more than a 50% share.
- 13 6. "PROPERTY/IES" includes any real property (i) identified in Exhibit A
14 which is managed and/or owned by DEFENDANTS and/or FUTURE
15 ENTITIES or (ii) located within the City and County of San Francisco that
16 contains, or may contain, residential rental units where DEFENDANTS,
17 and/or FUTURE ENTITIES, possess a MAJORITY INTEREST or is
18 managed, operated, or maintained in whole or in part by DEFENDANTS,
19 and/or FUTURE ENTITIES.
- 20 7. "RELATED PARTY/IES" means (i) any person at any time related by
21 blood, marriage, or civil union to any individual DEFENDANT, or (ii) any
22 entity that is affiliated with any DEFENDANT or FUTURE ENTITY. For
23 purposes of this Injunction, "affiliated" means an entity that directly or
24 indirectly controls, is controlled by or is under common control with,
25 another entity, and for purposes of the foregoing, "control" means the power
26 to direct the affairs or management of another entity, whether by contract,
27 operation of law or otherwise.

1 8. "TRANSFER" means to sell, convey, assign, transfer, alienate or otherwise
2 dispose (directly or indirectly, by one or more transactions, and by operation
3 of law or otherwise) of all or any interest, rights, or responsibilities
4 regarding any PROPERTY.

5
6 **B. PARTIES, ENTITIES, AND PROPERTIES BOUND BY THIS INJUNCTION**

7 The Court and the Parties agree to submit to this Court's jurisdiction, and agree, in writing,
8 to be bound by the terms of this Injunction's terms, without limitation or restriction. The
9 provisions of this Injunction will apply to all of the following: all DEFENDANTS, including all
10 CORPORATE AND ENTITY DEFENDANTS and FUTURE ENTITIES. For purposes of this
11 Injunction, all DEFENDANTS, including all CORPORATE AND ENTITY DEFENDANTS and
12 FUTURE ENTITIES shall be bound by the actions of their agents, assignees, board members,
13 officers, employees, successors in interest, and all persons who are acting in concert, on behalf of,
14 or in participation with any of them in connection with the PROPERTIES.

15
16 **C. NOTIFICATION REGARDING ACQUISITION OF NEW PROPERTIES
17 OR FORMATION OF NEW ENTITIES**

18 If during the duration of this Injunction DEFENDANTS, and/or FUTURE ENTITIES
19 acquire by TRANSFER any additional residential rental property in the City and County of San
20 Francisco or create or acquire a MAJORITY INTEREST in PROPERTIES, then they shall comply
21 with all of the following:

- 22 1. Within 30 days of the closing of the TRANSFER, notify the San Francisco
23 City Attorney's Office in writing of the address of the new property, the
24 date of said TRANSFER and the identity(ies) of the transferee(or);
- 25 2. DEFENDANTS agree not to form, acquire in whole or part, or participate
26 in the ownership, operation, oversight, or management, of any FUTURE
27 ENTITY unless that entity agrees to be bound by the terms of this
28

1 Injunction. Within 30 days after forming a FUTURE ENTITY notify the
2 San Francisco City Attorney's Office in writing of the name of the entity,
3 the name of the entity's authorized representative; serve the entity with
4 copies of this Injunction; and require the entity's authorized representative
5 to sign this Injunction and agree to be bound by its terms without
6 limitation, by completing and endorsing the Addendum attached to this
7 Order. See Exhibit B.
8

9 **D. NOTIFICATION REGARDING THE SALE OR TRANSFER OF NEW**
10 **PROPERTIES OR FORMATION OF NEW ENTITIES**

11 If DEFENDANTS or FUTURE ENTITIES TRANSFER all or part of any PROPERTY
12 during the term of this Injunction, they shall do the following:

- 13 1. Within 30 days after the closing of any such TRANSFER, notify the San
14 Francisco City Attorney's Office in writing of the address of the
15 PROPERTY and a written declaration signed under penalty of perjury
16 from the entity transferring ownership that the successor owner, operator,
17 manager, or maintainer is a BONA FIDE THIRD PARTY and that a
18 material purpose of that TRANSFER is not to avoid the provisions or the
19 spirit of the Injunction and/or Agreement; and
- 20 2. If the TRANSFER is to a BONA FIDE THIRD PARTY, then the terms of
21 this Injunction shall not apply to the BONA FIDE THIRD PARTY.
22 Notwithstanding any TRANSFER to a BONA FIDE THIRD PARTY, any
23 DEFENDANT or FUTURE ENTITY who performs residential rental
24 management services for a BONA FIDE THIRD PARTY owner of
25 residential rental property in the City and County of San Francisco is
26 bound by the terms of the Injunction entitled "Tenant Issues" and "Lawful
27 Remodeling" below.
28

1
2 **IV. NECESSITY FOR INJUNCTION**

3 This Court finds that this Injunction is necessary in the interest of the health, safety, and
4 welfare of the residents of the City and County of San Francisco and the citizens of the State of
5 California and to ensure that DEFENDANTS and any FUTURE ENTITIES comply with all
6 applicable laws in the ownership, operation, management or maintenance of PROPERTIES.

7
8 **INJUNCTIVE TERMS**

9 **I. TERMS**

10 **A. TENANT ISSUES**

11 IT IS HEREBY ORDERED that DEFENDANTS and any FUTURE ENTITIES subject to
12 this Injunction, are hereby enjoined and restrained from:

- 13 1. Audiotaping tenants without their written permission (exclusive of voice
14 mail messages left by tenants) or unlawfully videotaping or photographing
15 tenants or the interior of their units without their written permission;
- 16 2. Entering tenant units without giving any necessary notice as set forth in
17 Civil Code Section 1954;
- 18 3. Entering tenant units except in accordance with the procedures as set forth
19 in Civil Code Section 1954;
- 20 4. Preventing or interfering with the entry of non-building resident caregivers
21 or other non-resident guests who provide assistance to seniors and disabled
22 residents and who agree they are not attempting to establish building
23 residence by their caregiver status and agree to comply with any applicable
24 SRO visitor policy;
- 25 5. Requesting information regarding the nationality and immigration status of
26 non-employee tenant residents except as required by law;
- 27 6. Retaliating through the legal or administrative process by initiating or
28 pursuing administrative actions against tenants for any exercise of their
lawful rights, including requesting repairs; and
7. Threatening to evict or evicting any tenant without lawful justification.

IT IS HEREBY ORDERED that DEFENDANTS and any FUTURE ENTITIES subject to
this Injunction must comply with all of the following:

1. Respond to tenants' requests for repairs for which property owners are responsible by law or agreement within 72 hours of a request or complaint. Such response shall include the approximate date and time of repair.
2. Establish a protocol for non-emergency situations regarding the changing of locks in a building and the dispensation of keys as follows:
 - a. Provide written notice to each affected tenant at least 5 days in advance of changing the locks to any individual or common area doors;
 - b. In addition to such individual notice, post a notice on each floor and in the lobby of each affected building at least 5 days in advance of changing the locks to any individual or common area doors;
 - c. All notices related to changing the locks to any individual or common area doors, shall state a specific date when the locks are scheduled to be changed; and
 - d. New keys will be delivered on or before the time of lock change and shall be furnished to any lawful occupant without regard to whether their name appears on the lease. DEFENDANTS and the FUTURE ENTITIES may ask to review but not copy, a valid form of identification, but may not ask for immigration documents.
3. Provide all buildings with a residential "caretaker" as required in San Francisco Housing Code Section 1311.
4. Establish a protocol for contacting tenants regarding relocation, which will adhere to all of the following:
 - a. Communicate any initial relocation or buy-out offer in writing. That communication shall include the following: language explaining a tenant's right to reject the offer and to place the household on a "No Contact" list regarding buy-out offers; a "No Contact" form for tenants to fill out and fax or mail back stating a household's desire not to be contacted in the future regarding buy-out offers; the amount of the initial buyout offer; and a proposed surrender or buyout agreement.
 - b. The "No Contact" list referenced above will be maintained by DEFENDANTS and any FUTURE ENTITIES and will preclude those entities from making any additional and future buy-out or relocation offers to any household that returns the "No Contact" form or otherwise requests to not to be contacted regarding buyout offers for a six month period after such form or request is received, unless the tenant specifically requests contact regarding buy-out offers.
 - c. If that household has not sent in a "No Contact" form within thirty days of mailing of the written communication, DEFENDANTS and any FUTURE ENTITIES may call or write the household regarding buy-out offers to follow-up but must again inform the household regarding its right to be placed on the "No Contact" list. DEFENDANTS and any FUTURE ENTITIES shall maintain a list of all contacts and correspondence sent to a particular household regarding buyout offers.
 - d. If the household expresses interest in the relocation offer,

1 DEFENDANTS and any FUTURE ENTITIES shall give the
2 household at least five business days from the date the written
3 buyout offer was provided to the household to consider the offer
4 and shall not contact the household about the buyout offer during
5 that period.

6 e. The full balance of the buy-out amount shall be paid to the
7 household on or before the tender of the keys and possession of the
8 unit. No buy-out monies shall be used to pay for any damage, past
9 due rent, or other charges that are due and owing pursuant to Civil
10 Code Section 1950.5.

11 f. The household shall have the right to rescind any and all terms of
12 the buy-out/relocation agreement up to and including the date of
13 the tenants' receipt of the buy-out amount. Notwithstanding the
14 household's right to rescind, DEFENDANTS shall retain all legal
15 rights to seek return of buy-out monies tendered to a household
16 that subsequently rescinds the buy-out/relocation agreement.

17 g. Nothing in this Injunction shall interfere with a tenants' ability to
18 contact DEFENDANTS and any FUTURE ENTITIES to initiate
19 or resume buyout or relocation discussions.

20 **B. LAWFUL REMODELING AND CONSTRUCTION WORK**

21 IT IS HEREBY ORDERED that DEFENDANTS and any FUTURE ENTITIES subject to
22 this Injunction, are hereby enjoined and restrained from:

- 23 1. Altering, remodeling, or constructing any portion of a building without first
24 obtaining all building, electrical, plumbing and/or mechanical permits
25 required by law.
- 26 2. Exceeding the scope or character of work as permitted under a permit;
- 27 3. Failing to give 48-hour written notice to tenants in advance of any planned
28 non-emergency utility interruption or elevator stoppage;
- 1 4. Permitting a planned non-emergency utility interruption or elevator
2 stoppage to persist longer than four hours in any given week, absent good
3 cause;
- 4 5. Giving tenants less than 10 days written notice in advance of commencing
5 any planned non-emergency construction and/or remodeling work anywhere
6 in the building; and
- 7 6. Failing to confine non-emergency construction and/or remodeling work to
8 the hours of 7:00 a.m. to 8:00 p.m.

9 **C. VIOLATIONS OF MUNICIPAL HOUSING, BUILDING, PLUMBING,
10 ELECTRICAL AND/OR PLUMBING CODES**

11 **1. Past Code Violations**

12 The Parties acknowledge that DEFENDANTS and any FUTURE ENTITIES are
13 responsible for ensuring that the PROPERTIES must be kept in a healthy and safe manner and in
14 compliance with all applicable local and state laws. In order to ensure that each PROPERTY is so
15

1 maintained, Plaintiffs have agreed to give DEFENDANTS as well as any FUTURE ENTITIES,
2 the opportunity to cure certain violations present at the PROPERTIES. For purposes of this
3 Paragraph, these violations are limited to kitchen and bathroom remodels within the individual
4 units at the Properties that were performed without proper Building, Plumbing and/or Electrical
5 permits (hereinafter, "Remodel Code Violations").

6 **a. Voluntary Disclosure**

7 The Parties agree that DEFENDANTS and any FUTURE ENTITIES have one year from
8 the date of entry of this Order to identify and disclose any Remodel Code Violations to the
9 Department of Building Inspection ("DBI") and not be subjected to additional penalties or fees.
10 After such Remodel Code Violations are disclosed to DBI, the DEFENDANTS and any FUTURE
11 ENTITIES shall abate the Remodel Code Violations, including paying any assessment fees to DBI
12 and obtaining all appropriate sign-offs from DBI either: 1) within the one-year time period for
13 disclosure of the Remodel Code Violations; or 2) within any time period determined by DBI,
14 whichever time period is longer. If these violations are timely disclosed, and subsequently abated
15 pursuant to the aforementioned, the Parties agree that those Remodel Code Violations will not
16 constitute a violation of this Injunction.

17 **b. Involuntary Disclosure**

18 During this one year period for disclosure of Remodel Code Violations, if DBI
19 independently discovers Remodel Code Violations, DEFENDANTS, and any FUTURE
20 ENTITIES must abate those violations within the time period determined by DBI.

21 At the expiration of the year period, any Remodel Code Violations discovered and
22 confirmed by Plaintiffs at any PROPERTY may constitute a violation of this Injunction, as well as
23 any applicable law, and DEFENDANTS and any FUTURE ENTITIES may be subject to civil
24 penalties and attorneys' fees as described in Section F below, as well as any other penalty or relief
25 prescribed by law.

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2. **Outstanding Code Violations**

DEFENDANTS acknowledge that one or more PROPERTIES have current and open citations, notices of violation, and orders of abatement (hereinafter "outstanding DBI enforcement actions") for both Remodel Code Violations as well as other Building, Housing, Plumbing, Electrical and/or Mechanical Code violations issued by DBI.

IT IS HEREBY ORDERED that DEFENDANTS as well as any FUTURE ENTITIES must comply with all of the following:

- a. For outstanding DBI enforcement actions with open deadlines, DEFENDANTS as well as any FUTURE ENTITIES, must abate the violations (including paying all assessments to DBI and obtaining all necessary sign-offs from DBI) within the time period determined by DBI in the enforcement action, or other deadlines or extensions approved by DBI;
- b. For outstanding DBI enforcement actions in which deadlines are now past due, DEFENDANTS as well as any FUTURE ENTITIES must abate the outstanding violations (including paying all assessments to DBI and obtaining all necessary sign-offs from DBI) within 30 calendar days of execution of this Injunction; and
- c. At all times, DEFENDANTS as well as any FUTURE ENTITIES must maintain the PROPERTIES in such a manner and condition as to not constitute a public nuisance, including, but not limited to, keeping the PROPERTIES properly secured, and cured of all municipal and state code violations, including, but not limited to, those related to public health and safety.

3. **Future Code Violations**

If DEFENDANTS as well as any FUTURE ENTITIES receive any Notices of Violation, Citations, Orders of Abatement or any other administrative notices or orders (hereinafter

1 "administrative action") from DBI regarding the PROPERTIES after the execution of this
2 Injunction, regardless of when those violations occurred, IT IS HEREBY ORDERED that
3 DEFENDANTS as well as any FUTURE ENTITIES subject to this Injunction must comply with
4 all of the following:

- 5 a. Notify the City Attorney's Office, Code Enforcement Division
6 within 5 days of the issuance of the administrative action; and
- 7 b. Abate the code violations within the time specified by DBI in its
8 enforcement action, and secure proper permits, if required.

9 4. **Department Of Building Inspection Administrative and Assessment**
10 **Fees**

11 For all Building, Housing, Plumbing and/or Electrical Code violations described in
12 Paragraphs C(1)-(3), pages 12-15, DEFENDANTS and any FUTURE ENTITIES responsible for
13 such PROPERTIES shall be liable and separately pay DBI for its inspection, investigation and
14 assessment fees. The payment of assessment fees shall be made directly to DBI upon demand,
15 including all outstanding fees and all fees incurred during the pendency of this Injunction. Any
16 monies paid pursuant to this Injunction or Agreement are separate from any Administrative
17 Assessment Fees assessed by DBI. Any monies owing pursuant to this Injunction or Agreement
18 are the obligations of the DEFENDANTS or FUTURE ENTITIES responsible for committing the
19 violations.

20
21 **D. UNFAIR AND UNLAWFUL BUSINESS PRACTICES.**

22 IT IS HEREBY ORDERED that DEFENDANTS, as well as any FUTURE ENTITIES
23 subject to this Injunction, are hereby restrained and enjoined from engaging in the following
24 unlawful and unfair conduct:

- 25 1. Maintaining, operating, occupying or using any PROPERTIES in such a
26 manner as to constitute a public nuisance;

- 1 2. Maintaining, operating, occupying or using any PROPERTIES in such a
2 manner as to constitute an unfair and/or unlawful business act or practice as
3 described by California Business and Professions Code Sections 17200-
4 17210; or
5 3. Maintaining, operating, occupying or using any PROPERTIES in such a
6 manner as to constitute violations of any provision of municipal or state law

7 **E. FEES, COSTS, AND PENALTIES.**

8 The Parties have come to a monetary resolution of this matter that involves three separate
9 payment provisions that are described in greater detail in the Settlement Agreement filed
10 concurrently. The provisions for payment of monetary civil penalties set forth in paragraph D of
11 the Settlement Agreement are incorporated by reference here. Any failure to make payments
12 pursuant to the Settlement Agreement shall be deemed a violation of this Injunction, subjecting the
13 applicable DEFENDANT(s) to any and all penalties described in this Injunction.

14
15 **F. ENFORCEMENT.**

16 1. **Declaration of Compliance**

- 17 a. In order to monitor and enforce this Order, DEFENDANTS and
18 FUTURE ENTITIES owning, managing, operating, or maintaining
19 any of the PROPERTIES must provide Plaintiffs a Declaration of
20 Compliance signed by all DEFENDANTS under penalty of perjury,
21 detailing DEFENDANTS' efforts to comply with the provisions of
22 this Order with respect to all DEFENDANTS and PROPERTIES
23 governed by this Injunction. A copy of a blank Declaration of
24 Compliance is attached hereto as Exhibit C.
25 b. These Declarations of Compliance shall be due on or before each
26 January 1, April 1, July 1, and October 1 during the effective period
27 of this Order.
28

1 c. Upon receipt of a Declaration of Compliance, Plaintiffs have the
2 right to examine DEFENDANTS and/or FUTURE ENTITIES and
3 request additional information and/or documents to substantiate
4 DEFENDANTS' and/or FUTURE ENTITIES' claims. Plaintiffs will
5 submit such a request in writing to DEFENDANTS' and/or
6 FUTURE ENTITIES' counsel and DEFENDANTS and/or FUTURE
7 ENTITIES shall have no more than 15 calendar days from the date
8 of the request to provide additional information and documents
9 responsive to Plaintiffs' requests. DEFENDANTS' and/or FUTURE
10 ENTITIES' failure to timely respond or to provide Plaintiffs with
11 additional information relating to compliance with this Injunction
12 shall constitute a violation of this Injunction and be subject to the
13 enforcement provisions and penalties detailed below.

14 d. Failure to timely submit a Declaration of Compliance or submission
15 of a Declaration of Compliance containing inaccurate or misleading
16 information shall constitute a violation of this Injunction and be
17 subject to the enforcement provisions and penalties detailed below.

18 e. In addition to the information contained in Exhibit C, the Initial
19 Declaration of Compliance shall also include the following three
20 documents:

21 i. a list of all units where there is an outstanding Notice of
22 Violation issued by any division of DBI for either work
23 performed without requisite permits or work performed that
24 exceeds the scope of a permit;

25 ii. a list of all units where there is an outstanding Notice of
26 Violation issued by any division of DBI; and
27
28

1 **G. JURISDICTION AND JUDICIAL ENFORCEMENT OF THIS**
2 **INJUNCTION.**

3 The Court expressly reserves jurisdiction to take such further action as may be necessary or
4 appropriate to enforce the provisions of this Injunction, and to order all appropriate relief under the
5 law. For the duration of the injunctive period, all disputes arising or hearings required regarding
6 compliance with this Injunction shall be brought to the Honorable John E. Munter, Judge of the
7 San Francisco Superior Court, for resolution. If Judge John E. Munter is not available, any dispute
8 may be brought before any Judge of the San Francisco Superior Court.

9 **H. EFFECTIVE DATE AND TERM OF INJUNCTION.**

10 Unless otherwise stated, DEFENDANTS and any FUTURE ENTITIES shall comply with
11 the terms of this Injunction upon entry by the Court. The terms of this Injunction shall be in effect
12 for 5 years from the date of entry. For good cause shown, Plaintiffs may ask the Court to extend
13 the term of this Injunction.

14 **I. RECORDATION.**

15 This Injunction shall be filed with this Court and recorded at the San Francisco Assessor's
16 Office. Plaintiffs agree that this Injunction is binding only on the DEFENDANTS and FUTURE
17 ENTITIES. If requested by any BONA FIDE THIRD PARTY LENDER, Plaintiffs agree to
18 subordinate this Injunction upon receiving notice and verifiable written documentation that a
19 PROPERTY is being refinanced by a BONA FIDE THIRD PARTY LENDER. Upon the sale to
20 any BONA FIDE THIRD PARTY purchaser, Plaintiffs agree, upon receiving notice and verifiable
21 written documentation that a PROPERTY is being sold to a BONA FIDE THIRD PARTY
22 purchaser, to withdraw this Injunction.

23 **J. DISMISSAL OR SATISFACTION OF INJUNCTION.** At the expiration of the
24 term of this Injunction Plaintiffs will dismiss this action with prejudice and withdraw this
25 Injunction. DEFENDANTS and any FUTURE ENTITIES shall not be deemed "prevailing
26 parties" under Code of Civil Procedure Section 1032 as a consequence of dismissal as herein
27 contemplated.
28

1 K. **NO WAIVER OF RIGHT TO ENFORCE.** The failure of Plaintiffs to enforce
2 any such provision shall not preclude Plaintiffs from later enforcing the same or any other
3 provision of this Injunction; nor shall such failure be deemed a waiver of such provision or in any
4 way affect the validity of this Injunction. No oral advice, guidance, suggestion or comments by
5 Plaintiffs' employees or officials regarding matters covered in this Injunction shall be construed to
6 relieve DEFENDANTS and any FUTURE ENTITIES of their obligations hereunder.

7 L. **PUBLICATION AND DISSEMINATION OF INJUNCTION**

8 The Parties agree that a copy of this Injunction shall be posted in a prominent and public
9 place on each floor of each PROPERTY. DEFENDANTS further agree to require that all
10 FUTURE ENTITIES post a copy of the Injunction in a prominent and public place on each floor
11 of each PROPERTY owned, managed, operated or maintained by such FUTURE ENTITY.


12 SO STIPULATED:

13 DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

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16
17 
18 _____
19 Attorney for Plaintiffs
20 CITY AND COUNTY OF SAN
21 FRANCISCO and PEOPLE OF THE
22 STATE OF CALIFORNIA

21 _____
22 Earl Bohachek
23 Attorney for DEFENDANTS
24 DAVID RAYNAL individually and as
25 TRUSTEE of the DAVID M. RAYNAL
26 REVOCABLE TRUST dated May 9, 2002

27 
28 _____
Edward Singer
Attorney for all other DEFENDANTS

1 K. **NO WAIVER OF RIGHT TO ENFORCE.** The failure of Plaintiffs to enforce
2 any such provision shall not preclude Plaintiffs from later enforcing the same or any other
3 provision of this Injunction; nor shall such failure be deemed a waiver of such provision or in any
4 way affect the validity of this Injunction. No oral advice, guidance, suggestion or comments by
5 Plaintiffs' employees or officials regarding matters covered in this Injunction shall be construed to
6 relieve DEFENDANTS and any FUTURE ENTITIES of their obligations hereunder.

7 L. **PUBLICATION AND DISSEMINATION OF INJUNCTION**

8 The Parties agree that a copy of this Injunction shall be posted in a prominent and public
9 place on each floor of each PROPERTY. DEFENDANTS further agree to require that all
10 FUTURE ENTITIES post a copy of the Injunction in a prominent and public place on each floor
11 of each PROPERTY owned, managed, operated or maintained by such FUTURE ENTITY.

12 SO STIPULATED:

13 DATED:

Alex G. Tse
Yvonne R. Mere
Jennifer Choi
Jill Cannon
Deputy City Attorneys

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17 _____
Attorney for Plaintiffs
CITY AND COUNTY OF SAN
FRANCISCO and PEOPLE OF THE
STATE OF CALIFORNIA

18
19
20 3/24/11

21 _____
Earl Bohachek
Attorney for DEFENDANTS
DAVID RAYNAL individually and as
TRUSTEE of the DAVID M. RAYNAL
REVOCABLE TRUST dated May 9, 2002

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25 _____
Edward Singer
Attorney for all other DEFENDANTS

26 IT IS SO ORDERED:

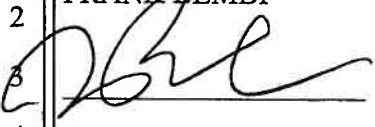
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JUDGE OF THE SUPERIOR COURT

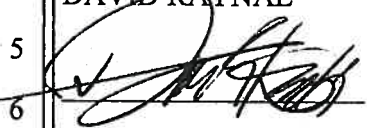
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FRANK LEMBI



DAVID RAYNAL



FRANK LEMBI as TRUSTEE of the FRANK E. LEMBI SURVIVOR'S TRUST dated February 17, 1984, as restated on June 2, 1999

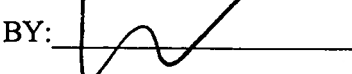


FRANK LEMBI, as TRUSTEE of the OLGA LEMBI RESIDUAL TRUST created under the provisions of Part Three of the LEMBI FAMILY TRUST dated February 17, 1984



DAVID RAYNAL, as TRUSTEE of the DAVID M. RAYNAL REVOCABLE TRUST dated May 9, 2002

WALTER LEMBI, as TRUSTEE of the WALTER AND LINDA LEMBI FAMILY TRUST dated June 30, 2004

BY: 

ITS: ATTORNEY OF RECORD

SKYLINE REALTY INC.

BY: 

ITS: AUTHORIZED SIGNATOR

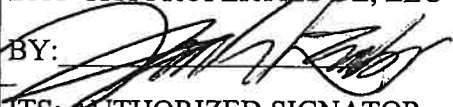
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///

City and County of San Francisco
and the People of the State of California

BY: _____

ITS: AUTHORIZED SIGNATOR

1 BAY CITI PROPERTIES DE, LLC

2 BY: 
3 ITS: AUTHORIZED SIGNATOR

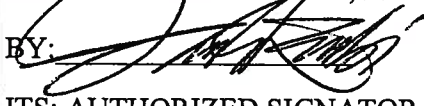
4 CITI PROPETNES DE, LLC

5 BY: 
6 ITS: AUTHORIZED SIGNATOR


7 CITI PROPERTIES I DE, LLC

8 BY: 
9 ITS: AUTHORIZED SIGNATOR

10 FEL PROPERTIES B14 DE, LLC

11 BY: 
12 ITS: AUTHORIZED SIGNATOR

13 FRANKLIN /SUTTER DE, LLC

14 BY: 
15 ITS: AUTHORIZED SIGNATOR

16 GOUGH HEIGHTS DE, LLC

17 BY: 
18 ITS: AUTHORIZED SIGNATOR

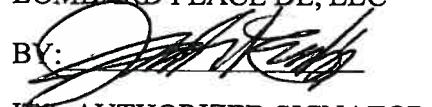
19 LEM/RAY PROPERTIES, LLC

20 BY: 
21 ITS: AUTHORIZED SIGNATOR

LEM/RAY PROPERTIES I DE, LLC

22 BY: 
23 ITS: AUTHORIZED SIGNATOR

LOMBARD PLACE DE, LLC

24 BY: 
25 ITS: AUTHORIZED SIGNATOR

LOMBARD PLACE I DE, LLC

26 BY: 
27 ITS: AUTHORIZED SIGNATOR

LRL CITIGROUP PROPERTIES DE, LLC

28 BY: 
ITS: AUTHORIZED SIGNATOR

LSL PROPERTY HOLDINGS V DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

LSL PROPERTY HOLDINGS VI DE, LLC


BY: 
ITS: AUTHORIZED SIGNATOR


LSL PROPERTIES B14 DE, LLC


BY: 
ITS: AUTHORIZED SIGNATOR

1 TROPHY PROPERTIES B10 DE, LLC
2 BY: 
3 ITS: AUTHORIZED SIGNATOR


4 TROPHY PROPERTIES IV DE, LLC
5 BY: 
6 ITS: AUTHORIZED SIGNATOR


7 TROPHY PROPERTIES IV B8A, LLC
8 BY: 
9 ITS: AUTHORIZED SIGNATOR


10 TROPHY PROPERTIES IV MEZZ DE, LLC
11 BY: 
12 ITS: AUTHORIZED SIGNATOR


13 TROPHY PROPERTIES V, LLC
14 BY: 
15 ITS: AUTHORIZED SIGNATOR


16 TROPHY PROPERTIES V DE, LLC
17 BY: 
18 ITS: AUTHORIZED SIGNATOR

19 TROPHY PROPERTIES VI, LLC
20 BY: 
21 ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES IV B8A MANAGER,
LLC
BY: 
ITS: AUTHORIZED SIGNATOR


FIRST APARTMENT RENTALS INC.
BY: 
ITS: AUTHORIZED SIGNATOR

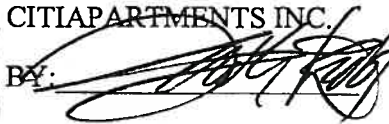
124 MASON DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


2238 HYDE B10 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


500 BARTLETT DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

500 LARKIN B8A, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

950 B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


1 CITIAPARTMENTS INC.
2 BY: 
3 ITS: AUTHORIZED SIGNATOR

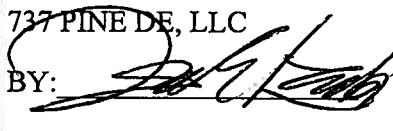
LSI PROPERTIES B14 DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


4 LEMBI GROUP INC.
5 BY: 
6 ITS: AUTHORIZED SIGNATOR

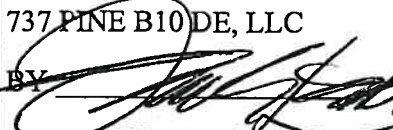
LSI PROPERTY HOLDINGS II MEZZ, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

7 LEMBI GROUP PARTNERS, LLC
8 BY: 
9 ITS: AUTHORIZED SIGNATOR


NOB HILL TOWER DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


10 737 PINE DE, LLC
11 BY: 
12 ITS: AUTHORIZED SIGNATOR

NOB HILL TOWER MEZZ DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR


13 737 PINE B10 DE, LLC
14 BY: 
15 ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

16 737 PINE B10 MEZZ DE, LLC
17 BY: 
18 ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES B10 DE
LLC
BY: 
ITS: AUTHORIZED SIGNATOR

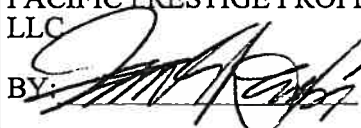
19 1155, LLC
20 BY: 
21 ITS: AUTHORIZED SIGNATOR

PRIME APARTMENT PROPERTIES B10
MEZZ DE, LLC
BY: 
ITS: AUTHORIZED SIGNATOR

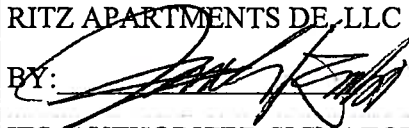
22 THE GAYLORD HOTEL, LLC
23 BY: 
24 ITS: AUTHORIZED SIGNATOR

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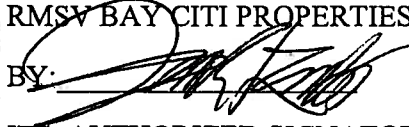
PACIFIC PRESTIGE PROPERTIES I DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

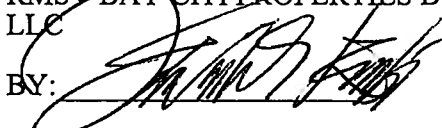
RITZ APARTMENTS DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR


RMSV BAY CITI PROPERTIES I DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

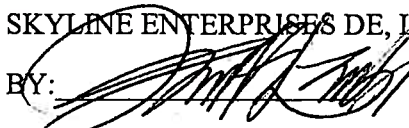
RMSV BAY CITI PROPERTIES B10 DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

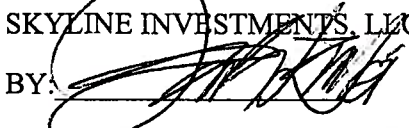
SKYLINE ENTERPRISES, LLC

BY: 
ITS: AUTHORIZED SIGNATOR


SKYLINE ENTERPRISES DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR


SKYLINE INVESTMENTS, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

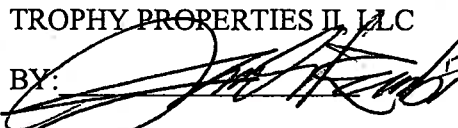
SRV BAY CITI PROPERTIES DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR


TROPHY PROPERTIES II, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

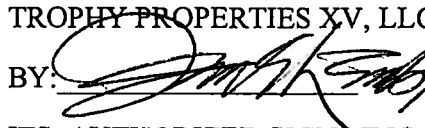
TROPHY PROPERTIES III DE, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES VIII, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

TROPHY PROPERTIES XV, LLC

BY: 
ITS: AUTHORIZED SIGNATOR

1 IT IS SO ORDERED:
2 DATED:

3 JUDGE OF THE SUPERIOR COURT
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EXHIBIT A
PROPERTIES and ENTITIES

Properties	Ownership Entity	Managed by an entity related to Defendants
Management company	First Apts	
1100 Sacramento Street	1100 Park Lane Associates DE, LLC	X
124 Mason Street	124 Mason DE, LLC	
2238 Hyde Street -View Tower	2238 Hyde B10 DE, LLC	
500-506 Bartlett Street	500 Bartlett DE, LLC	
500 Larkin Street	500 Larkin B8A, LLC	
508 Larkin Street	500 Larkin B8A, LLC	
621 Stockton Street	621 Stockton DE, LLC	
737 Pine Street	737 Pine B10 DE, LLC	
950 Franklin Street	950 B14 DE, LLC	
977-995 Ellis Street	950 B14 DE, LLC	
969 Bush Street	Bay Citi Properties DE, LLC	X
915 Pierce Street	Bay Citi Properties II DE, LLC	X
601 O'Farrell Street	Bay Citi Properties DE, LLC	X
1035 Sutter Street	Citi Properties DE, LLC	X
11 Dolores Street	Citi Properties I DE, LLC	X
100 Broderick Street	Civic Properties DE, LLC	X
400 Duboce Street	Civic Properties DE, LLC	X
106 Sanchez Street	Civic Properties DE, LLC	
211 Church Street	FEL Properties B14 DE, LLC	
235-241 Church Street	FEL Properties B14 DE, LLC	
252-258 Church Street	FEL Properties B14 DE, LLC	
2073-2079 Market Street	FEL Properties B14 DE, LLC	
2097 Market / 211 Church Street	FEL Properties B14 DE, LLC	
1461 Burlingame Avenue, Burlingame	FEL-WRL Properties B14 DE, LLC	
1405 Franklin Street	Franklin /Sutter DE, LLC	X
1520 Gough Street	Gough Heights DE, LLC	
1550 Steiner Street	LEM/RAY Properties, LLC	X
935 Geary Street	LEM/RAY Properties I DE, LLC	X
81 9 th Street	LEM/RAY Properties I DE, LLC	X
1320/1340/1360/1380	Lombard Place DE, LLC	

1	Lombard Street		
	1304 Lombard Street	Lombard Place I DE, LLC	X
2	3715 California Street	LRL CitiGroup Properties DE, LLC	
	676 Geary Street	LRL CitiGroup Properties DE, LLC	
3	1500-1400 Geneva Avenue	LRL CitiGroup Properties DE, LLC	
	437 Hyde Street	LRL CitiGroup Properties DE, LLC	
4	825 Jones Street	LRL CitiGroup Properties DE, LLC	
	839 Jones Street	LRL CitiGroup Properties DE, LLC	
5	449 O'Farrell Street	LRL CitiGroup Properties DE, LLC	
	755 O'Farrell Street	LRL CitiGroup Properties DE, LLC	
6	925 Geary Street	LRL CitiGroup Properties II DE, LLC	X
7	540 Leavenworth	LRL CitiGroup Properties II DE, LLC	X
	1660 Bay Street	LSL Property Holdings V DE, LLC	
8	1840 Clay Street	LSL Property Holdings V DE, LLC	
	1690 North Point	LSL Property Holdings V DE, LLC	
9	2363 Van Ness Avenue	LSL Property Holdings V DE, LLC	
10	2600 Van Ness Avenue	LSL Property Holdings VI DE, LLC	
	2975 Van Ness Avenue	LSL Property Holdings VI DE, LLC	
11	1290 20 th Avenue	LSL Properties B14 DE, LLC	
	78 Buchanan Street	LSL Properties B14 DE, LLC	
12	1401 Jones Street	LSL Properties B14 DE, LLC	
	2677 Larkin Street	LSL Properties B14 DE, LLC	
13	1870 Pacific Avenue	LSL Properties B14 DE, LLC	
	500 Stanyan Street	LSL Properties B14 DE, LLC	
14	645 Stockton Street	LSL Properties B14 DE, LLC	
	1340-1390 Taylor Street	LSL Properties B14 DE, LLC	
15	1320 Washington Street	LSL Properties B14 DE, LLC	
	650 Alvarado Street	Pacific Prestige Properties I DE, LLC	X
16	2120 California Street	Pacific Prestige Properties I DE, LLC	X
	610 Clipper Street	Pacific Prestige Properties I DE, LLC	X
17	660 Clipper Street	Pacific Prestige Properties I DE, LLC	X
	244 Grattan Street	Pacific Prestige Properties I DE, LLC	X
18	2140 Pacific Avenue	Pacific Prestige Properties I DE, LLC	X
	3099 Washington Street	Pacific Prestige Properties I DE, LLC	X
19	1126 Bush Street	Prime Apartment Properties B10 DE, LLC	
	1547 Clay Street	Prime Apartment Properties B10 DE, LLC	
20	346 Leavenworth	Prime Apartment Properties B10 DE, LLC	
	1020 Post Street	Prime Apartment Properties B10 DE, LLC	
21	300 Buchanan Street	Ritz Apartments DE, LLC	X
	401 Hyde Street	RMSV Bay Citi Properties I DE, LLC	
22	325 9 th Avenue	RMSV Bay Citi Properties B10 DE, LLC	
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1	1189-1189A DeHaro Street	Skyline Enterprises, LLC	X
2	210-218 Church/2101 Market Street	Skyline Enterprises DE	X
3	215 - 219 Church Street	Skyline Enterprises DE	X
4	240 - 250 Church Street	Skyline Enterprises DE, LLC	X
5	2337 Market Street	Skyline Enterprises DE, LLC	X
6	2037-2039 15 th Street	Skyline Investments, LLC	X
7	1895 Jefferson	Skyline Investments, LLC	X
8	1036 Mission Street	Skyline Investments, LLC	X
9	691 O'Farrell Street	SRV Bay Citi Properties DE, LLC	
10	709 Geary Street	SRV Bay Citi Properties DE, LLC	
11	620 Jones Street	The Gaylord Hotel, LLC	X
12	122 Tiffany Avenue	Trophy Properties, LLC	X
13	1855 10 th Avenue	Trophy Properties B10 DE, LLC	
14	520 Buchanan Street	Trophy Properties B10 DE, LLC	
15	340 Church Street	Trophy Properties B10 DE, LLC	
16	4540 California Street	Trophy Properties B10 DE, LLC	
17	2038 Divisadero Street	Trophy Properties B10 DE, LLC	
18	355 Fulton	Trophy Properties B10 DE, LLC	
19	1801 Gough Street	Trophy Properties B10 DE, LLC	
20	1656 Leavenworth	Trophy Properties B10 DE, LLC	
21	1753 Mason Street	Trophy Properties B10 DE, LLC	
22	3264 Mission Street	Trophy Properties B10 DE, LLC	
23	795 Pine Street	Trophy Properties B10 DE, LLC	
24	1440 Sutter Street	Trophy Properties B10 DE, LLC	
25	350 Judah Street	Trophy Properties DE, LLC	X
26		Trophy Properties II, LLC	
27	411 15 th Avenue	Trophy Properties III DE	
28	1260 Broadway	Trophy Properties III DE	
29	3210 Gough Street	Trophy Properties III DE	
30	2500 Van Ness Avenue	Trophy Properties III DE	
31	840 California Street	Trophy Properties III DE, LLC	
32	845 California Street	Trophy Properties III DE, LLC	
33	3210 Gough Street	Trophy Properties III DE, LLC	
34	50 Joice Street	Trophy Properties III DE, LLC	
35	655 Stockton Street	Trophy Properties III DE, LLC	
36	2500 Van Ness	Trophy Properties III DE, LLC	
37	2213 Market Street/230 Sanchez Street	Trophy Properties VIII, LLC	X
38	1348 Sacramento – Nob Hill Landing	Trophy Properties VIII, LLC	X
39	3000 24 th Street	Trophy Properties XIV DE, LLC	
40	191 Frederick	Trophy Properties XV, LLC	X
41	890 Bush Street	Trophy Properties XV, LLC	X
42	1 Cabrillo Street	Trophy Properties XV, LLC	X

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EXHIBIT B
ADDENDUM TO STIPULATED INJUNCTION

CCSF, et al., v. Skyline Realty, Inc., et al.; San Francisco Superior Court No. 06 455-241

AGREEMENT OF NEW BUSINESS ENTITY
TO BE BOUND BY THE TERMS OF THE INJUNCTION

_____ (NAME of new business entity) is a new business entity created by
DEFENDANTS and/or FUTURE ENTITIES (as defined in this Injunction). _____

(NAME) has received a copy of the Stipulated Injunction (the "Injunction") issued by the Court
on _____ and filed in this action on _____ and has read its contents.

_____ (NAME) agrees to be bound without limitation by the terms of the
Injunction and agrees to perform any and all obligations of DEFENDANTS and/or FUTURE
ENTITIES that may be required under the terms of the Injunction and or under such Court Order
as may be necessary or appropriate to enforce the provisions thereof.

_____ (NAME) further agrees that the Court shall have jurisdiction over
_____ (NAME) to enforce the terms of this Injunction and to issue such orders as
may be necessary or appropriate to enforce the provisions thereof.

DATED: _____

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EXHIBIT C

DECLARATION OF COMPLIANCE

SUBMITTED ON (DATE)

REPORTING PERIOD:

REPORTING PARTIES

List all Reporting Parties

The principal purpose of this Declaration is to monitor and enforce compliance with the terms of the Stipulated Injunction dated March 24, 2011 in the matter of City and County of San Francisco, et al. v. Skyline Realty, Inc., et al., San Francisco Superior Court Case No. 455241.

The Reporting Parties assert and make the following representations under penalty of perjury and to the best of the undersigned's knowledge with respect to the Reporting Period (check all that apply):

II. STATUTORY OBLIGATIONS

Reporting Parties have not committed any acts in violation of any of the provisions of California Civil Code Section 1954.

Reporting Parties have not committed any acts in violation of California Civil Code Section 1950.50 dealing with the prompt return of security deposits.

Reporting Parties have not committed any acts in violation of California Civil Code Section 1940.2 by harassing, threatening or intimidating tenants.

Reporting Parties have not committed any acts in violation of California Civil Code Section 1940.3 by making inquiries of tenants' immigration or citizenship status.

Reporting Parties have not committed any acts in violation of California Civil Code Section 1941.1 related to maintaining properties in tenantable conditions.

Reporting Parties have not committed any acts in violation of California Civil Code Section 1941.3 related to installing and maintaining operable door locks.

Reporting Parties have not committed any acts in violation of California Civil Code Sections 3479 or 3480 by creating, maintaining or permitting a nuisance to

1 exist at any property owned, managed, operated or maintained by the Reporting
Parties or an individual or entity related to Reporting Parties.

2 Reporting Parties have not committed any acts in violation of San Francisco
3 Administrative Code Section 37 et seq., also referred to as the Rent Stabilization
and Arbitration Ordinance.

4 Reporting Parties have not committed any acts in violation of the San Francisco
5 Building Code.

6 Reporting Parties have not committed any acts in violation of the San Francisco
Plumbing Code.

7 Reporting Parties have not committed any acts in violation of the San Francisco
8 Electrical Code.

9 Reporting Parties have not committed any acts in violation of the San Francisco
Housing Code.

10 Reporting Parties have not committed any acts in violation of the California
11 Business and Professions Code Section 17200 et seq.

12 **III. ADDITIONAL INJUNCTIVE TERMS**

13 The Reporting Parties assert that they have not committed any act that constitutes a
14 violation of the following additional terms of the Stipulated Injunction (check all that apply):

15 **A. Tenant Issues**

16 Audiotaping tenants without their written permission (exclusive of any message
17 left by a tenant) or unlawfully videotaping or photographing tenants or the interior
of their units without their written permission.

18 € Entering tenant units without adhering to the notice requirements enumerated in
Civil Code Section 1954.

19 € Entering tenant units without the requisite cause as enumerated in Civil Code
20 Section 1954.

21 € Preventing or interfering with the entry of non-building resident caregivers or
22 other non-resident guests who provide assistance to seniors and disabled residents
and who will agree they are not attempting to establish building residence by their
caregiver status.

23 € Requesting information regarding the nationality and immigration status of non-
employee tenant residents except as required by law.

24 € Retaliating through legal or administrative means against tenants for any exercise
of their lawful rights, including requesting repairs.

25 € Threatening to evict or taking steps to evict any tenant without lawful
26 justification.

- 1 € Failing to respond to tenants' requests for repairs as required by law or agreement
2 within 72 hours of a complaint, ensuring that such response included the
3 approximate date and time of repair.
- 4 € Failing to adhere to the protocol for non-emergency situations regarding the
5 changing of locks in a building and the dispensation of keys enumerated in this
6 Injunction, p. X, ¶Y-Z.
- 7 € Failing to provide all buildings with a residential "caretaker" as required by San
8 Francisco Housing Code Section 1311.
- 9 € Failing to adhere to the protocol for contacting tenants regarding relocation,
10 enumerated in this Injunction, p. X, ¶Y-Z.

11 **B. CONSTRUCTION, REMODELING AND MAINTENANCE OF**
12 **PROPERTIES**

- 13 € Altering, remodeling, constructing any portion of a building without first
14 obtaining proper building, electrical, plumbing and/or mechanical permits.
- 15 € Exceeding the scope or character of work as permitted under a permit.
- 16 € Failing to give 48-hour written notice to tenants in advance of any planned non-
17 emergency utility interruption or elevator stoppage.
- 18 € Permitting a planned non-emergency utility interruption or elevator stoppage to
19 persist longer than four hours in any given week, absent good cause.
- 20 € Giving tenants less than 10 days written notice in advance of commencing any
21 planned non-emergency construction and/or remodeling work anywhere in the
22 building.
- 23 € Failing to confine non-emergency construction and/or remodeling work to the
24 hours of 7:00 a.m. to 8:00 p.m.

25 **IV. ADDITIONAL DISCLOSURES:**

26 In addition to the above, DEFENDANTS provide the following additional information:
27
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