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Los Angeles County
Department of Beaches & Harbors
Caring for Your Coast

Santos H. Kreimann
Director

Kerry Silverstrom
Chief Deputy

Gary Jones
Deputy Director

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

30 June 18, 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

June 18, 2013

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL OF AMENDMENT NO. 2 TO AMENDED AND RESTATED LEASE NO. 74729
ESPRIT II (Parcel 15U at 4240-4250 Via Marina) - MARINA DEL REY (FOURTH DISTRICT)
(4 VOTES)

SUBJECT

Request for approval of Amendment No. 2 to Amended and Restated Lease Agreement for Parcel 15U extending the required construction commencement date and the required completion date for the redevelopment of the landside and waterside improvements under the lease.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Authorize the Chairman to execute Amendment No. 2 to Amended and Restated Lease No. 74729 for Parcel 15U, attached as Exhibit A, granting an extension of the required construction commencement date and the required completion date for the redevelopment of the parcel as described in the Amended and Restated Lease.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Your Board previously entered into Amended and Restated Lease Agreement (Lease No. 74729) with Esprit Two LLC, a California limited liability company (Lessee), on December 29, 2003, for Parcel 15U (Esprit II) in Marina del Rey that

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called for demolition of all existing improvements (288 apartments and 215 slips) and the construction of 585 new apartments, including 47 very low-income senior units, and a new 225 slip marina, to be completed by June 30, 2009.

The Amended and Restated Lease Agreement (Lease), which was negotiated in conjunction with an Amended and Restated Lease Agreement for Parcel 12R (Esprit I), called for phased redevelopment of Esprit I and Esprit II so as to lessen the impact on Marina residents and boaters. Due to delays in the construction of Esprit I, mainly from litigation, Esprit I was not completed until August 2008. As construction for Esprit II had not commenced by the required commencement date, Lessee sought and was granted an up to four-year extension of both the required construction commencement date to no later than July 1, 2013 and the required completion date to four years after the required commencement date.

Although Esprit II received all of its entitlements at the same time as Esprit I and was able to apply for a building permit at any time that redevelopment became financially feasible, the financial markets collapsed in 2008 along with the state of the economy and continued in a downward trend until 2012. During this period, financing for real estate in general, but, more specifically, construction of redevelopment projects such as Esprit II that: a) cost in excess of $200 million, b) had a marina component; and c) are situated on a ground lease, was virtually impossible to obtain. Over the past year, both the real estate and financial markets have begun to rebound, especially in prime areas like Marina del Rey, which makes redevelopment financing generally available again.

Notwithstanding the recent surge in interest in Marina del Rey properties, construction financing for such a large project is a complex undertaking and takes time to complete. Lessee has continued to seek financing and is only now beginning to make tangible progress in finding lending institutions and investment firms interested in projects such as Esprit II.

To take advantage of the strengthening markets, Lessee is requesting an extension of: i) the required construction commencement date to July 1, 2014 with the possibility of extending it annually three (3) additional times to no later than July 1, 2017; and b) the required completion date to the fourth anniversary of the required commencement date.

In consideration of the above potential four-year extension, Lessee has agreed to pay the County an extension fee of up to a total of $8.15 million, payable upon exercise of each extension period in the following manner: i) $500,000 for the first extension of the commencement date to July 1, 2014; ii) $1 million for the second extension of the commencement date to July 1, 2015; iii) $2.25 million for the third extension of the commencement date to July 1, 2016; and iv) $4.4 million for the fourth and final extension of the commencement date to July 1, 2017. The fee schedule is structured to incentivize Lessee to commence construction as quickly as possible and benefits the County by: a) providing an increase in County rents from $630,000 per year to a proforma $2.68 million per year upon stabilization of occupancy; and b) ensuring that the entitlements for the redevelopment do not lapse, in compliance with County policy to redevelop Marina del Rey.

The amendment also confirms the amount of deferred percentage rent which has been accrued by lessee and adjusts the schedule for repayment of the deferred percentage rent in connection with the foregoing extension.

Our economic consultant has reviewed the consideration being paid for the extension of the anticipated commencement date and the outside completion date and has found that the extension fees in the aggregate represent fair value to the County.

Implementation of Strategic Plan Goals

The recommended action will allow the Lessee to proactively redevelop its leasehold improvements, which will result in fulfillment of approved Strategic Plan Goal Nos. 1 and 4, “Service Excellence” and “Fiscal Responsibility”, respectively.

FISCAL IMPACT/FINANCING

Operating Budget Impact

Upon your Board’s approval of the Amendment, the County will receive a one-time $500,000 fee as the compensation for the first year of the extension. This revenue increase is accounted for in the Department’s Fiscal Year 2012-13 one-time over-realized revenues. As soon as any additional portion of the extension fee is paid, the additional amount will be included in the Adopted Budget for the year in which the money is received.

The term of the Amended and Restated Lease for Parcel 15U commenced on August 1, 1962 and expires on July 31, 2061.

County Counsel has approved the Amendment as to form.

ENVIRONMENTAL DOCUMENTATION

On December 6, 2000, the Regional Planning Commission considered and certified a combined final environmental impact report (FEIR) for Parcels 12R and 15U and adopted Findings of Fact and a Statement of Overriding Considerations regarding the FEIR for the proposed redevelopment project contemplated by both the Lease and the Parcel 15U lease. The proposed Amendment No. 2 does not raise any new or different environmental impacts.

Moreover, the proposed County consents are not a project or projects pursuant to the California Environmental Quality Act (CEQA) because each consent is an activity that is excluded from the definition of a project by Section 15378(b) of the State CEQA Guidelines. The proposed consents are an administrative activity of government which will not result in direct or indirect physical changes to the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on other current services or projects.

CONCLUSION

Please authorize the Executive Officer of the Board to send two copies of the executed Amendment to the Department of Beaches and Harbors. Should you have any questions, please contact Matthew Kot at (310) 305-1439 or mkot@bh.lacounty.gov.

Respectfully submitted,

Gary Jones

for Santos H. Kreimann
Director

SK:GJ:dlg

Attachments (1)

c: County Counsel

AMENDMENT NO. 2 TO AMENDED AND RESTATED LEASE AGREEMENT
PARCEL 15U – MARINA DEL REY
(LEASE NO. 74729)

THIS AMENDMENT NO. 2 TO AMENDED AND RESTATED LEASE AGREEMENT ("Second Amendment") is made and entered into as of June 27, 2013, by and between COUNTY OF LOS ANGELES ("County") and ESPRIT TWO LLC, a California limited liability company ("Lessee").

RECITALS

A. County and Lessee entered into Amended and Restated Lease Agreement (Lease No. 74729) dated December 29, 2003 ("Original Lease"), as amended by Amendment No. 1 to Amended and Restated Lease Agreement (Lease No. 74729) dated March 24, 2009 ("First Amendment"), pursuant to which County leased to Lessee that certain real property located in the Marina del Rey Small Craft Harbor, County of Los Angeles, State of California, commonly known as Parcel 15U. The Original Lease, as amended by the First Amendment, is referred to herein as the "Lease."

B. Lessee provided the Department with a Financing Delay Notice pursuant to subsection 5.5.1 of the Lease that resulted in the extension of the Anticipated Commencement Date from July 1, 2010 to July 1, 2013.

C. As of the date of this Second Amendment, the Substantial Commencement of Construction of the Redevelopment Work has not yet occurred.

74729 Supplement No. 2

D. The parties desire to enter into this Second Amendment to further extend the Anticipated Commencement Date and the Outside Completion Date under the Lease and to make certain other modifications to the Lease as set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Lessee agree as follows:

1. <u>Capitalized Terms</u>. All capitalized terms used in this Second Amendment and not otherwise defined herein shall have the same meanings given to such terms in the Lease.

2. <u>Extension of Outside Completion Date</u>. Subsection 1.1.93 of the Lease is hereby amended in full to read as follows:

> 1.1.93 "Outside Completion Date" shall mean the fourth (4th) anniversary of the Anticipated Commencement Date (as such Anticipated Commencement Date may be extended in accordance with the terms of Section 5.5 of this Lease).

All references to "Outside Completion Date" in the Lease shall have the meaning set forth in subsection 1.1.93.

3. Extension of Construction Schedule. Subsection 5.5.1 of the Lease is hereby amended in full to read as follows:

> 5.5.1 Substantial Commencement and Completion of Construction. It is a condition of this Lease that, except to the extent Lessee is prevented from so doing by the events identified in subsection 5.5.3, Lessee shall cause the Substantial Commencement of Construction for the Redevelopment Work to have occurred on or before the Anticipated Commencement Date, and shall substantially complete the Redevelopment Work by the Outside Completion Date. For the purposes of this Lease, "Substantial Commencement" or "Substantial Commencement of Construction" means that physical construction work pertaining to the Redevelopment Work has been commenced and thereafter proceeds with diligence, provided that for this purpose the demolition work required for the commencement of excavation and new improvement construction shall qualify as physical construction work as long as such demolition work is performed on a diligent basis and is followed by excavation and new improvement construction work without interruption. The Anticipated Commencement Date and the Outside Completion Date will only be extended under the specific circumstances set forth in this Section 5.5, and under no other circumstances.
>
> For purposes of this Lease, "Anticipated Commencement Date" means July 1, 2014, provided that Lessee shall have the option to extend such date in annual increments upon payment to County of successive installments of the Extension Payment on or before each respective required payment date set forth in Section 5 of the Second Amendment, as follows: (i) upon Lessee's timely payment of the Second Extension Installment, such date shall be extended to July 1, 2015; (ii) upon Lessee's timely payment of the Third Extension Installment, such date shall be extended to July 1, 2016; and (iii) upon Lessee's timely payment of the Fourth Extension Installment, such date shall be extended to July 1, 2017. Notwithstanding any contrary provision of this Lease, there shall be no extension of the Anticipated Commencement Date for any period during which Lessee is in breach or default under this Lease.

4. Construction Delays. Notwithstanding any contrary provision of Section 5.5 of the Lease, as modified by this Second Amendment, neither the Anticipated Commencement Date nor the Outside Completion Date shall be subject to extension for any act, omission, occurrence, condition, or circumstance (including without limitation a Force Majeure event, Unreasonable Financial Market Condition or Unreasonable County Activity, if any) that first occurred or first arose prior to, or that otherwise exists as of, the date of this Second Amendment. Lessee represents and warrants to County that as of the date of this Second Amendment there is no

threatened or anticipated delay in the Substantial Commencement of Construction beyond the Anticipated Commencement Date of which Lessee is aware as of the date of this Second Amendment. Notwithstanding any contrary provision of the Lease, no future Force Majeure delay under subsection 5.5.2 of the Lease shall commence until Lessee has provided County with written notice of the occurrence, condition or circumstance that constitutes a Force Majeure event; provided, however, that if Lessee provides written notice to County of a Force Majeure event within five (5) business days after the date that the occurrence, condition or circumstance that constitutes Force Majeure first occurs or arises, then the Force Majeure delay shall commence retroactive to the date that the Force Majeure event first occurred or arose.

5. Payment For Extension of Construction Schedule. As partial consideration for County's agreement to an extension of the Anticipated Commencement Date and the Outside Completion Date, concurrent with the parties' execution and delivery of this Second Amendment, Lessee shall pay to County the sum of Five Hundred Thousand Dollars ($500,000) (the "First Extension Installment"). Lessee shall have the option to further extend the Anticipated Commencement Date as set forth in subsection 5.5.1 of the Lease (as amended by this Second Amendment), upon payment to County of the following sums: (i) One Million Dollars ($1,000,000) (the "Second Extension Installment"), payable on or before June 1, 2014; (ii) Two Million Two Hundred Fifty Thousand Dollars ($2,250,000) (the "Third Extension Installment"), payable on or before June 1, 2015; and (iii) Four Million Four Hundred Thousand Dollars ($4,400,000) (the "Fourth Extension Installment" and, together with the First Extension Installment, the Second Extension Installment and the Third Extension Installment, the "Extension Payment"), payable on or before June 1, 2016. The Extension Payment shall be treated as additional rent payable under the Lease.

6. Deferred Percentage Rent. Notwithstanding any contrary term or provision of the Lease, County and Lessee have agreed that Lessee shall be entitled to defer an aggregate of $2,111,416 of Percentage Rent under subsection 4.3.2 of the Lease and that such amount shall be the maximum total amount of Percentage Rent that Lessee is entitled to defer under such subsection 4.3.2 of the Lease during all portions of the Term. Such amount is in full satisfaction of, and substitution for, all past and future Percentage Rent deferrals permitted under subsection 4.3.2 of the Lease. For all periods up to and through March 31, 2013 Lessee deferred Percentage Rent in the total amount of $1,582,744. Thus, for periods from and after April 1, 2013 Lessee shall be entitled to defer additional Percentage Rent in a remaining aggregate amount of $528,672. Such remaining amount of Percentage Rent that is permitted to be deferred by Lessee from and after April 1, 2013 may be deferred by Lessee on a monthly basis in an amount each month equal to fifty percent (50%) of the amount by which the Percentage Rent payable for such month exceeds the Minimum Annual Rent payable for such month. Such monthly deferrals shall continue until the aggregate amount of such monthly deferrals from and after April 1, 2013 equals $528, 672. All previous and future amounts of Percentage Rent deferred by Lessee pursuant to subsection 4.3.2 (as modified by this Section 6) shall constitute Deferred Rental Amounts. The principal amount of all Percentage Rent deferred through March 31, 2013 (i.e., $1,582,744) has accrued interest at the Deferral Interest Rate set forth in subsection 4.3.3 of the Lease from the date of each deferral through March 31, 2013 in the aggregate amount of $636,532.68, and shall continue to accrue interest at the Deferral Interest Rate until the date of repayment by Lessee. The amount of all Percentage Rent deferred from and after April 1, 2013 shall also accrue interest from the date of each deferral until the date of repayment, at the

Deferral Interest Rate. The outstanding principal and accrued interest on all Deferred Rental Amounts shall be paid by Lessee to County in accordance with the terms and provisions of subsection 4.3.3 of the Lease, except that notwithstanding any contrary provision of the First Amendment, all references to "Outside Completion Date" in clauses (x), (y) and (z) of subsection 4.3.3 of the Lease are hereby replaced with "Anticipated Commencement Date." As stated in the First Amendment, if the Lease is amended by the Reversion Amendment pursuant to subsection 5.5.3 of the Lease, then notwithstanding any contrary provision of the Lease, the principal unpaid balance of all Deferred Rental Amounts and all unpaid accrued interest thereon shall be immediately due and payable by Lessee to County as of the date that County elects to amend the Lease in accordance with the Reversion Amendment.

7. Audit. County and Lessee agree and acknowledge that County has completed an audit of the Percentage Rent payable by Lessee under the Lease for the period from January 1, 2008 through April 30, 2012, and that prior to the date of this Second Amendment Lessee has paid to County all Percentage Rent deficiency amounts (plus accrued interest under the Lease) payable by Lessee to County for such audit period.

8. Percentage Rent Category. County and Lessee hereby confirm their previous agreement retroactive to the Effective Date of the Original Lease that the percentage for the Percentage Rent category set forth in subsection 4.2.2(b) of the Lease is twenty percent (20%). Accordingly, subsection 4.2.2(b) of the Lease is hereby amended in full to read as follows retroactive to the Effective Date of the Original Lease:

> "(b) TWENTY PERCENT (20%) of Gross Receipts from the rental or other fees charged for the use of dry storage facilities, landside gear lockers, landside storage space, boats, motors, tackle, recreational equipment, tools, equipment, launch and retrieving of small boats and from the sale of live bait."

9. No Other Modifications. Except as expressly set forth in this Second Amendment, all terms, conditions, and provisions of the Lease remain in full force and effect and are unmodified, and each of the parties reaffirms and acknowledges its respective obligations under the Lease as amended hereby. This Second Amendment constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes all previous correspondence or communications, whether written or verbal, pertaining thereto.

10. Encumbrance Holder Consent. Lessee represents and warrants to County that as of the date of this Second Amendment there are no deeds of trust, mortgages or other security interests that encumber Lessee's interest in the Lease or the Premises other than the "Deed of Trust" referenced in the Lender Consent attached to this Second Amendment. At County's election, this Second Amendment is conditioned upon (a) the accuracy of the foregoing representation and warranty, and (b) the execution and delivery by the beneficiary of such Deed of Trust not later than ten (10) days after the date of this Second Amendment of (i) the Lender Consent described above, and (ii) a Lender Consent in substantially the same format in recordable form attached to the Memorandum of Amendment No. 2 to Amended and Restated Lease referenced in Section 13 below. If the foregoing conditions are not satisfied, then County shall have the right to declare this Second Amendment null and void and of no force or effect.

11. County Costs. Lessee shall promptly following written demand from County reimburse County for the Actual Costs (as defined in the Lease) incurred by County in the review, negotiation, preparation and documentation of the matters that are the subject of this Second Amendment, including any lender consent or estoppel certificate pertaining to the Lease or this Second Amendment.

12. Counterparts. This Second Amendment may be signed in counterparts. Each counterpart represents an original of this Second Amendment and all such counterparts shall collectively constitute one fully-executed document.

13. Memorandum of Amendment. Concurrent with the execution and delivery of this Second Amendment, County and Lessee shall execute a Memorandum of Amendment No. 2 to Amended and Restated Lease Agreement and cause same to be recorded in the Official Records of Los Angeles County, California.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, County and Lessee have entered into this Second Amendment as of the date first set forth above.

COUNTY OF LOS ANGELES

By: ______________________________
Chair, Board of Supervisors

ESPRIT TWO LLC, a California limited liability company

By: ______________________________
Cynthia A. Miscikowski, Manager

ATTEST:

SACHI HAMAI,
Executive Officer of the Board of Supervisors

By: ______________________________
Deputy JUN 18 2013

I hereby certify that pursuant to Section 25103 of the Government Code, delivery of this document has been made.

SACHI A. H...
Executive Offic...
Clerk of the Board of Supervisors

By ______________________________
Deputy JUN 18 2013

74729

Supplement No. 2

APPROVED AS TO FORM:

JOHN F. KRATTLI,
County Counsel

By: ______________________________
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

30 JUN 18 2013

SACHI A. HAMAI
EXECUTIVE OFFICER

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: ______________________________

IN WITNESS WHEREOF, County and Lessee have entered into this Second Amendment as of the date first set forth above.

COUNTY OF LOS ANGELES

By: ____________________________
Chair, Board of Supervisors

ESPRIT TWO LLC, a California limited liability company

By: Cynthia A. Miscikowski
Cynthia A. Miscikowski, Manager

ATTEST:

SACHI HAMAI,
Executive Officer of the Board of Supervisors

By: ____________________________
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI,
County Counsel

By: ____________________________
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: ____________________________

LENDER CONSENT

The undersigned represents to County of Los Angeles that it is the current beneficiary under that certain [Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing] dated December 29, 2003, and recorded in the Official Records of Los Angeles County, California on December 30, 2003 as Instrument No. 03-3901333 (the "Deed of Trust"). As such beneficiary the undersigned hereby consents to the foregoing Amendment No. 2 to Amended and Restated Lease Agreement (Parcel 15U - Marina del Rey) (the "Second Amendment") and agrees that the Deed of Trust is subject and subordinate to such Second Amendment.

BANK OF THE WEST,
a California banking corporation

By: ____________________
Name: Michael J. Campbell
Title: Vice President

By: ____________________
Name: Richard Flores
Title: Senior Vice President

20803144.6

RESTATED GUARANTY OF LEASE
(PARCEL 15U)

THIS RESTATED GUARANTY OF LEASE (this "Guaranty") is made as of June 27, 2013 by CYNTHIA A. MISCIKOWSKI, an individual, and CYNTHIA A. MISCIKOWSKI, AS TRUSTEE OF THE RING-MISCIKOWSKI TRUST, jointly and severally (each, a "Guarantor" and collectively, "Guarantors"), in favor of COUNTY OF LOS ANGELES ("County").

RECITALS:

WHEREAS, County and Esprit Two LLC, a California limited liability company ("Lessee"), entered into that certain Amended and Restated Lease Agreement Parcel 15U – Marina del Rey dated December 29, 2003 concerning the lease by County to Lessee of certain real property in the Marina del Rey Small Craft Harbor commonly referred to as Parcel 15U (the "Original Lease");

WHEREAS, the Original Lease was amended by Amendment No. 1 to Amended and Restated Lease Agreement dated March 24, 2009 ("First Amendment");

WHEREAS, Douglas R. Ring, an individual, and Douglas R. Ring and Cynthia A. Miscikowski, as trustees of the Ring-Miscikowski Trust (the "Trust"), jointly and severally (each, an "Original Guarantor" and collectively, "Original Guarantors") executed that certain Guaranty of Lease dated August 31, 2003 ("Original Guaranty");

WHEREAS, Original Guarantors consented to the First Amendment pursuant to a Guarantors' Consent executed by Original Guarantors attached to the First Amendment;

WHEREAS, Douglas R. Ring is deceased and Cynthia A. Miscikowski is currently the sole trustee of the Trust;

WHEREAS, concurrent with the execution and delivery of this Guaranty, County and Lessee are executing Amendment No. 2 to Amended and Restated Lease Agreement dated of even date herewith ("Second Amendment"); the Original Lease, as amended by the First Amendment and Second Amendment, and as hereafter further modified or amended by County and Lessee is referred to as the "Lease";

WHEREAS, Cynthia A. Miscikowski is executing this Guaranty in her individual capacity to join as a guarantor of the Lessee's obligations and liabilities under the Lease;

WHEREAS, Cynthia A. Miscikowski is also executing this Guaranty in her capacity as sole trustee of the Trust, to confirm the Trust's guaranty of the Lessee's obligations and liabilities under the Lease; and

WHEREAS, nothing in this Guaranty is intended to release, relieve or otherwise affect the continuing liability of any successor or estate of Douglas R. Ring under the Original Guaranty;

NOW, THEREFORE, in consideration of the execution by County of the Second Amendment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and as a material inducement to County to execute said Second Amendment, Guarantors hereby absolutely, presently, continually, unconditionally and irrevocably guarantee the prompt payment by Lessee of all rentals and other sums payable by Lessee under the Lease, and the faithful and prompt performance by Lessee of each and every one of the terms, conditions and covenants of said Lease to be kept and performed by Lessee (the "Guaranteed Obligations"). Guarantors expressly confirm their consent to and approval of the Second Amendment. Notwithstanding any contrary term or provision of this Guaranty, neither the execution and delivery of this Guaranty nor any term or provision set forth herein, shall release, relieve or otherwise affect the continuing liability of any successor or estate of Douglas R. Ring under the Original Guaranty. Guarantors expressly agree as follows:

1. Modification or Assignment of Lease. It is specifically agreed and understood that the terms, covenants and conditions of the Lease may be altered, affected, modified, amended, compromised, released or otherwise changed by agreement between County and Lessee, or by course of conduct, and Guarantors do jointly and severally guaranty and promise to perform all of the Guaranteed Obligations of Lessee under the Lease as so altered, affected, modified, amended, compromised, released or changed, and the Lease may be assigned by or with the consent of County or any assignee of County without consent or notice to Guarantors and that this Guaranty shall thereupon and thereafter guaranty the performance of the Guaranteed Obligations as so changed, modified, amended, compromised, released, altered or assigned.

2. No Release. This Guaranty shall not be released, modified or affected by failure or delay on the part of County to enforce any of the rights or remedies of County under the Lease, whether pursuant to the terms thereof or at law or in equity, or by any release of any person liable under the terms of the Lease (including, without limitation, Lessee, any Guarantor or any Original Guarantor).

3. Continuing Liability. Guarantors' liability under this Guaranty shall continue until all rents due under the Lease have been paid in full in cash and until all of the other Guaranteed Obligations to County have been satisfied. If all or any portion of the Guaranteed Obligations under the Lease are paid or performed by Lessee, the obligations of Guarantors hereunder shall continue and remain in full force and effect in the event that all or any part of such payment(s) or performance(s) is avoided or recovered directly or indirectly from County as a preference, fraudulent transfer or otherwise.

4. Representations and Warrantees of Guarantors. Each Guarantor warrants and represents to County that Guarantors now have and will continue to have full and complete access to any and all information concerning the Lease, the value of the assets owned or to be acquired by Lessee, Lessee's financial status and its ability to pay and perform the obligations owed to County under the Lease. Each Guarantor further warrants and represents that

Guarantors have reviewed and approved copies of the Lease (including all amendments, addenda or other modifications thereto) and are fully informed of the remedies County may pursue, with or without notice to Lessee, in the event of default under the Lease. So long as any of the Guarantors' obligations hereunder remain unsatisfied or owing to County, Guarantors shall keep fully informed as to all aspects of Lessee's financial condition and the performance of said obligations.

5. Cure of Defaults. Guarantors hereby covenant and agree with County that if a default shall at any time occur in the payment of any sums due under the Lease by Lessee, or in the performance of any other obligation of Lessee under the Lease, Guarantors shall and will forthwith upon demand pay such sums and any arrears thereof, to County in legal currency of the United States of America for payment of public and private debts, and take all other actions necessary to cure such default and perform such obligations of Lessee.

6. Guaranty of Payment and Performance. The obligations of Guarantors hereunder are independent of those of Lessee. The liability of Guarantors under this Guaranty is a guaranty of payment and performance and not of collectability, and is not conditioned or contingent upon the genuineness, validity, regularity or enforceability of the Lease or the pursuit by County of any remedies which it now has or may hereafter have with respect thereto, at law, in equity or otherwise.

7. Waivers by Guarantors. Guarantors hereby waive and agree not to assert or take advantage of to the extent permitted by law: (i) all notices to Guarantors, to Lessee, or to any other person, including, but not limited to, notices of the acceptance of this Guaranty or the creation, renewal, extension, assignment, modification or accrual of any of the obligations owed to County under the Lease and enforcement of any right or remedy with respect thereto, and notice of any other matters relating thereto; (ii) notice of acceptance of this Guaranty; (iii) demand of payment, presentation and protest; (iv) any right to require County to apply to any default any security deposit or other security it may hold under the Lease; (v) any statute of limitations affecting Guarantors' liability hereunder or the enforcement thereof; (vi) any right or defense that may arise by reason of the incapacity, lack of authority, death or disability of Lessee or any other person; and (vii) all principles or provisions of law which conflict with the terms of this Guaranty. Guarantors further agree that County may enforce this Guaranty upon the occurrence of a default under the Lease, notwithstanding any dispute between County and Lessee with respect to the existence of said default or performance of the obligations under the Lease or any counterclaim, set-off or other claim which Lessee may allege against County with respect thereto. Moreover, Guarantors agree that Guarantors' obligations shall not be affected by any circumstances which constitute a legal or equitable discharge of a guarantor or surety. Each Guarantor agrees that County may enforce this Guaranty without the necessity of proceeding against Lessee, any other Guarantor or any other Original Guarantor, or the obligation to pursue any other remedy or to enforce any other right.

8. No Discharge of Guarantors. Guarantors agree that nothing contained herein shall prevent County from suing on the Lease or from exercising any rights available to it thereunder and that the exercise of any of the aforesaid rights shall not constitute a legal or equitable discharge of Guarantors. Without limiting the generality of the foregoing, Guarantors

hereby expressly waive any and all benefits under California Civil Code §§ 2809, 2810, 2819, 2845, 2847, 2848, 2849 and 2850.

9. No Right of Subrogation. Guarantors agree that Guarantors shall have no right of subrogation against Lessee or any right of contribution against each other or any other Guarantor unless and until all amounts due under the Lease have been paid in full and all other obligations under the Lease have been satisfied. Guarantors further agree that, to the extent the waiver of Guarantors' rights of subrogation and/or contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation Guarantors may have against Lessee shall be junior and subordinate to any rights County may have against Lessee, and any rights of contribution each Guarantor may have against any other Guarantor or Original Guarantor shall be junior and subordinate to any rights County may have against such other Guarantor.

10. Bankruptcy. The obligations of Guarantors under this Guaranty shall not be altered, limited or affected by any case, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Lessee or any defense which Lessee may have by reason of order, decree or decision of any court or administrative body resulting from any such case. County shall have the sole right to accept or reject any plan on behalf of a Guarantors proposed in such case and to take any other action which Guarantors would be entitled to take, including, without limitation, the decision to file or not file a claim. Guarantors acknowledge and agree that any payment which accrues with respect to Lessee's obligations under the Lease (including, without limitation, the payment of rent) after the commencement of any such proceeding (or, if any such payment ceases to accrue by operation of law by reason of the commencement of such proceeding, such payment as would have accrued if said proceedings had not been commenced) shall be included in Guarantors' obligations hereunder because it is the intention of the parties that said obligations should be determined without regard to any rule or law or order which may relieve Lessee of any of its obligations under the Lease. Guarantors hereby permit any trustee in bankruptcy, receiver, debtor-in-possession, assignee for the benefit of creditors or similar person to pay County, or allow the claim of County in respect of, any such payment accruing after the date on which such proceeding is commenced. Guarantors hereby assign to County Guarantors' right to receive any payments from any trustee in bankruptcy, receiver, debtor-in-possession, assignee for the benefit of creditors or similar person by way of dividend, adequate protection payment or otherwise.

11. Notices. Any notice, statement, demand, consent, approval or other communication required or permitted to be given, rendered or made by either party to the other, pursuant to this Guaranty or pursuant to any applicable law or requirement of public authority, shall be in writing (whether or not so stated elsewhere in this Guaranty) and shall be deemed to have been properly given, rendered or made only if hand-delivered or sent by first-class mail, postage pre-paid, addressed to the Guarantors at the same address for notices to Lessee under the Lease, and addressed to County at the same addresses for notice to County under the Lease. Such notices shall be deemed to have been given, rendered or made on the day it is hand-delivered or one day after it is mailed, unless it is mailed outside of Los Angeles County, California, in which case it shall be deemed to have been given, rendered or made on the third business day after the day it is mailed. By giving notice as provided above, either party may

designate a different address for notices, statements, demands, consents, approvals or other communications intended for it.

12. Authority. Guarantors represent and warrant to County as follows:

12.1 No consent of any other person, including, without limitation, any creditors of either Guarantor, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by either Guarantor in connection with this Guaranty or the execution, delivery, performance, validity or enforceability of this Guaranty and all obligations required hereunder. This Guaranty has been duly executed and delivered by Guarantors, and constitutes the legally valid and binding obligation of Guarantors enforceable against Guarantors in accordance with its terms.

12.2 The execution, delivery and performance of this Guaranty will not violate any provision of any existing law or regulation binding on Guarantors, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on Guarantors, or of any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which a Guarantor is a party or by which Guarantors or any of a Guarantor's assets may be bound, and will not result in, or require, the creation or imposition of any lien on any of a Guarantor's property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract, or other agreement, instrument or undertaking.

13. Estoppel Statements. The obligations of Lessee under the Lease to execute and deliver estoppel statements, as therein provided, shall be deemed to also require the Guarantors hereunder to do and provide the same relative to Guarantors.

14. Successors and Assigns. This Guaranty shall be binding upon Guarantors, and Guarantors' heirs, representatives, administrators, executors, successors and assigns and shall inure to the benefit of and shall be enforceable by County, its successors, endorsees and assigns. Any married person liable under this Guaranty agrees that recourse may be had against community assets and against his separate property for the satisfaction of all obligations herein guaranteed. As used herein, the singular shall include the plural, and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

15. Definition of County. The term "County" whenever used herein also refers to any assignee of County, whether by outright assignment or by assignment for security, and also any successor to the interest of County or of any assignee in the Lease or any part thereof, whether by assignment or otherwise. So long as the County's interest in or to the demised premises or the rents, issues and profits therefrom, or in, to or under the Lease, are subject to any mortgage or deed of trust or assignment for security, no transfer of the County's interest in the demised premises or under the Lease shall affect the continuing obligations of Guarantors under this Guaranty, which obligations shall continue in full force and effect for the benefit of the mortgagee, beneficiary, trustee or assignee under such mortgage, deed of trust or assignment, or any purchaser at sale by judicial foreclosure or under private power of sale, and of the successors and assigns of any such mortgagee, beneficiary, trustee, assignee or purchaser.

16. Definition of Lessee. The term "Lessee" whenever used herein refers to and means the Lessee in the Lease specifically named and also any assignee or sublessee of said Lease and also any successor to the interests of said Lessee, assignee or sublessee of such Lease or any part thereof, whether by assignment, sublease or otherwise.

17. Costs and Expenses. In the event of any dispute or litigation with regard to a default by Lessee under the Lease or a default by Guarantors under this Guaranty, or with regard to the enforcement or validity of the Lease or this Guaranty, Guarantors shall be obligated to pay all charges, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by County in connection therewith, whether or not any action or proceeding is commenced regarding such dispute and whether or not such litigation is prosecuted to judgment, including without limitation, any cost and expenses (including attorneys' fees) incurred in connection with the enforcement or collection of any judgment against Lessee and/or Guarantors.

18. Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of California, and in a case involving diversity of citizenship, shall be litigated in and subject to the jurisdiction of the courts of California.

19. Severability. Every provision of this Guaranty is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof which terms and provisions shall remain binding and enforceable.

20. Counterparts. This Guaranty may be executed in any number of counterparts each of which shall be deemed an original and all of which shall constitute one and the same Guaranty with the same effect as if all parties had signed the same signature page. Any signature page of this Guaranty may be detached from any counterpart of this Guaranty and re-attached to any other counterpart of this Guaranty identical in form hereto but having attached to it one or more additional signature pages.

21. No Waiver. No failure or delay on the part of County to exercise any power, right or privilege under this Guaranty shall impair any such power, right or privilege, or be construed to be a waiver of any default or any acquiescence therein, nor shall any single or partial exercise of such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

22. Entire Agreement. This Guaranty shall constitute the entire agreement between Guarantors and the County with respect to the subject matter hereof. No provision of this Guaranty or right of County hereunder may be waived nor may Guarantors be released from any obligation hereunder except by a writing duly executed by an authorized officer, director or trustee of County.

23. Cumulative Rights and Remedies. The liability of Guarantors and all rights, powers and remedies of County hereunder and under any other agreement now or at any time hereafter in force between County and Guarantors relating to the Lease shall be cumulative

and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to County by law.

24. Capitalized Terms. Except as otherwise provided herein, all capitalized terms used herein shall have the same meanings given such terms in the Lease.

25. Joint and Several Liability. The Guarantors are jointly and severally liable for all obligations, liabilities, agreements and covenants to be performed by Guarantors under this Guaranty.

IN WITNESS WHEREOF, Guarantors have executed this Guaranty as of the day and year first above written.

Cynthia A. Miscikowski

Cynthia A. Miscikowski, an individual

The Ring-Miscikowski Trust

By: Cynthia A. Miscikowski

Cynthia A. Miscikowski, Trustee