



Caring for Your Coast

\*\*\*  
**Gary Jones**  
Director

**Kerry Silverstrom**  
Chief Deputy

**John Kelly**  
Deputy Director

**Brock Ladewig**  
Deputy Director

## SMALL CRAFT HARBOR COMMISSION AGENDA

### SPECIAL MEETING

Wednesday, September 21, 2016, 1:30 p.m.

Burton W. Chace Park  
Community Building  
13650 Mindanao Way  
Marina del Rey, CA 90292

#### Audio

1. **Call to Order, Action on Absences and Pledge of Allegiance**
2. **New Business**
  - A. Approval of Lease Assignment for Parcel 10 and Assignments of Options to extend existing lease for Parcel 10 and to Lease Parcel 14 (Neptune Marina)

[Attachment: Draft EIR](#)  
[Attachment: Draft EIR Appendices](#)  
[Attachment: Recirculated Draft EIR](#)  
[Attachment: Recirculated Draft EIR Appendices](#)  
[Attachment: Final EIR](#)
  - B. Granting of a Lease Option Agreement for Parcel 52/GG (Boat Central)

[Attachment: Draft EIR](#)  
[Attachment: Technical Appendices](#)  
[Attachment: Final EIR](#)
  - C. Lease Amendment for Parcel 141 (Marriott Hotel) to include Decennial Rent Adjustment
3. **Public Comment**

*This is the opportunity for members of the public to address the Commission on items that are not related to the posted agenda item, provided that the subject matter is within the jurisdiction of the Commission. Speakers are reminded of the three-minute time limitation and to fill out a Speaker Form.*
4. **Adjournment**

#### **PLEASE NOTE**

1. The Los Angeles County Board of Supervisors adopted Chapter 2.160 of the Los Angeles Code (Ord. 93-0031 ~ 2 (part), 1993, relating to lobbyists. Any person who seeks support or endorsement from the Small Craft Harbor Commission on any official action must certify that he/she is familiar with the requirements of this ordinance. A copy of the ordinance can be provided prior to the meeting and certification is to be made before or at the meeting.
2. The agenda will be posted on the internet and displayed at the following locations at least 72 Hours preceding the meeting date:

Department of Beaches and Harbors Website Address: <http://marinadelrey.lacounty.gov>



# Special Meeting of the Small Craft Harbor Commission Agenda

September 21, 2016

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Department of Beaches and Harbors  
Administration Building  
13837 Fiji Way  
Marina del Rey, CA 90292

MdR Visitors & Information Center  
4701 Admiralty Way  
Marina del Rey, CA 90292

Burton Chace Park Community Room  
13650 Mindanao Way  
Marina del Rey, CA 90292

Lloyd Taber-Marina del Rey Library  
4533 Admiralty Way  
Marina del Rey, CA 90292

3. The entire agenda package and any meeting related writings or documents provided to a Majority of the Commissioners (Board members) after distribution of the agenda package, unless exempt from disclosure Pursuant to California Law, are available at the Department of Beaches and Harbors and at <http://marinadelrey.lacounty.gov>

Si necesita asistencia para interpretar esta informacion llame al (310) 305-9503.

**ADA ACCOMODATIONS:** If you require reasonable accommodations or auxiliary aids and services such as material in alternate format or a sign language interpreter, please contact the ADA (Americans with Disabilities Act) Coordinator at (310) 305-9538 (Voice) or (TTY/TDD) users, please call the California Relay Service at 711. The ADA Coordinator may be reached by email at [rstassi@bh.lacounty.gov](mailto:rstassi@bh.lacounty.gov).



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September 21, 2016

TO: Small Craft Harbor Commission

FROM:  Gary Jones, Director

**SUBJECT: ITEM 2a - APPROVAL OF ASSIGNMENT OF OPTION AGREEMENTS FOR PARCELS 10R AND 14, AND APPROVAL TO AMEND LEASE OPTION AGREEMENTS AND TO MODIFY THE FORM OF PROPOSED LEASES FOR PARCELS 10R AND 14 TO FACILITATE REDEVELOPMENT**

Item 2a on your agenda pertains to a request for the Board of Supervisors to approve: (a) the assignment of the Option Agreements for Parcels 10R and 14; (b) amendments to the Option Agreements for Parcel 10R and Parcel 14 to extend the respective options for up to six months each; and (c) modifications to the forms of the Amended and Restated Lease for Parcel 10R and the New Lease Agreement for Parcel 14.

The Department is also requesting that the Board approve and authorize the Chair to execute the New Lease Agreement for Parcel 14 upon presentation by the Director of the Department of Beaches and Harbors of confirmation that all conditions to the exercising of the Option Agreement for Parcel 14 have been satisfied.

Your Commission's endorsement of the recommendations in the attached draft Board Letter is requested. Staff will inform your Commission should there be any material change made to this draft prior to submitting it to the Board for approval.

The recommended actions will further implement the County policies that facilitate the proactive redevelopment of the parcels, which supports the County's strategy to achieve fiscal sustainability (Strategic Plan Goal No. 1, Strategy No.1).

GJ:BL:dlg

Attachments



October \_\_\_\_, 2016

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:

**DEPARTMENT OF BEACHES AND HARBORS:**

**APPROVAL OF ASSIGNMENT OF PARCELS 10R AND 14 AND APPROVAL TO  
AMEND LEASE OPTION AGREEMENTS FOR PARCELS 10R AND 14 TO  
FACILITATE REDEVELOPMENT – (NEPTUNE MARINA APARTMENTS) – MARINA  
DEL REY  
(4th DISTRICT - 4 VOTES)**

**SUBJECT**

This Board Letter requests approval of: (a) the assignment of the Option Agreements for Parcel 10R and Parcel 14; and (b) amendments to the Option Agreements for Parcel 10R and Parcel 14 to allow Lessee to extend the respective options for up to six months each and to modify the forms of the Amended and Restated Lease for Parcel 10R and the new lease for Parcel 14.

1. Approve the proposed assignment of the existing leasehold interests in Parcel 10R and Parcel 14 from LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership, to GS NEPTUNE MARINA APARTMENTS, LLC, a Delaware limited liability company.
2. Approve Amendment No. 1 to the Option Agreement for Parcel 10R to: (a) extend the term of the Option Agreement for up to an additional six months; and (b) modify the form of Amended and Restated Lease Agreement (which is attached as an exhibit to the proposed Amendment No. 1 to Option Agreement) to incorporate changes required in connection with the lessee's construction financing and new equity requirements to support the continued economic feasibility of the related project, and to be executed and delivered concurrently with the consummation of the construction loan and upon the exercise of the option to enter into such lease.



3. Approve Amendment No. 1 to the Option Agreement for Parcel 14 to: (a) extend the term of the Option Agreement for up to an additional six months; and (b) modify the form of new Lease Agreement (which is attached as an exhibit to the proposed Amendment No. 1 to Option Agreement) to incorporate changes required in connection with the optionee's construction financing and new equity requirements to support the continued economic feasibility of the project, and to be executed and delivered concurrently with the consummation of the construction loan and upon the exercise of the option to enter into such lease.
4. Authorize the Chair to execute the Amended and Restated Lease Agreement for Parcel 10R upon: (a) satisfaction by the lessee of all the conditions of the Option Agreement; (b) presentation by the Director of the Department of Beaches and Harbors (Director) of confirmation that all such conditions have been satisfied; and (c) approval as to form by County Counsel.
5. Authorize the Chair to execute the New Lease Agreement for Parcel 14 upon: (a) satisfaction by the optionee of all the conditions of the Option Agreement; (b) presentation by the Director of confirmation that all such conditions have been satisfied; and (c) approval as to form by County Counsel.
6. Authorize the Director to execute and deliver such other ancillary documentation, including without limitation a ground lease estoppel certificate and consent to lease assignment for Parcel 10R and Parcel 14, as may be required in connection with the execution of the Amended and Restated Lease for Parcel 10R and the New Lease Agreement for Parcel 14, and the development of the project.

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

### **Background**

On December 1, 2015, your Board approved an extension for up to one additional year of a previously granted option to enter into an Amended and Restated Lease for Parcel 10R to the lessee, LEGACY PARTNERS NEPTUNE MARINA, L.P., a Delaware limited partnership (Legacy). At the same time, your Board approved modifications to both the Amended and Restated Lease for Parcel 10R and the New Lease Agreement for Parcel 14 to accommodate Legacy's ability to replace its equity partner and find construction financing. Legacy's equity partner was a closed-end fund operated by American Insurance Group (AIG) that was scheduled to dispose of its assets by August 2015. Such disposition of AIG's equity position was held in abeyance while Legacy searched for a new equity partner.

Prudential Investment, Inc., through its subsidiary, PRISA LHC, LLC, a Delaware limited

liability company, agreed to become the equity partner in the new lessee entity, but required among other things that Legacy procure construction financing. Bank of America is willing to make the construction loan, but due to its underwriting criteria requires a stronger financial partner than Legacy to guaranty the completion of construction. As a result, Legacy proposes to add GREYSTAR DEVELOPMENT, LLC, a Delaware limited liability company, as a co-developer and guarantor of both the construction loan and the County's completion guaranty.

The proposed new lessee entity, GS NEPTUNE MARINA APARTMENTS, LLC, a Delaware limited liability company (Assignee), was formed to acquire the Parcel 10R and Parcel 14 leaseholds for development. GS NEPTUNE MARINA APARTMENTS, LLC, is composed of: (a) PR NEPTUNE MARINA, LLC, a Delaware limited liability company that is 100% owned by PRISA LHC, LLC; and (b) GS NEPTUNE MARINA HOLDINGS, LLC, a Delaware limited liability company. LEGACY PARTNERS 2598, L.P., a California limited partnership (and a subsidiary of Legacy Partners Residential), will hold 10% of the equity in GS NEPTUNE MARINA HOLDINGS, LLC, and GREYSTAR COINVESTMENT IX, LLC, a Delaware limited liability company (and a subsidiary of GREYSTAR DEVELOPMENT LLC) will hold the remaining 90% equity in GS NEPTUNE MARINA HOLDINGS, LLC.

The total development cost of the project is estimated to be \$302 million. The Bank of America has committed to a \$166 million construction loan; Prisa LHC, LLC, has agreed to fund \$131 million in equity; with the balance of the equity (\$5 million) provided by Legacy and GREYSTAR COINVESTMENT IX, LLC.

As discussed below, Lessee is requesting amendments to the Option Agreements for Parcel 10R and Parcel 14, including modifications to the forms of Amended and Restated Lease Agreement for Parcel 10R and the New Lease Agreement for Parcel 14 (which are attached as exhibits to the respective Option Agreements) that were previously approved by your Board. The changes are requested in connection with the construction financing and the new equity capital requirements.

Lessee has requested (and the Department of Beaches and Harbors recommends) the following modifications:

1) Option Agreements for Parcel 10R and Parcel 14

- a. Revise each Option Agreement to provide for the right of the lessee to extend the option expiration date for 6 months for a payment of \$50,000 each (total \$100,000).
- b. Revise Option Agreement for Parcel 10 to reflect the fact that the lessee and MDR Hotels, LLC, the holder of an Option Agreement on Parcel 9U (or 9V) have entered into a Wetland Park Development and Contribution Agreement for the construction of the Wetland Park on Parcel 9U (or 9V) and lessee has commenced construction of the Wetland Park, and make

technical revisions.

2) Modifications to the approved form of Amended and Restated Lease Agreement for Parcel 10R and the New Lease Agreement for Parcel 14

- a. Revise Parcel 10R Amended and Restated Lease form to provide payment of a \$150,000 extension fee for the right to extend the Required Construction Completion Date for 6 months upon exercise of Option
- b. Revise Parcel 10 Lease form to make conforming changes to the Wetland Park provisions to reflect the existing Wetland Park Development and Contribution Agreement and the commencement of construction of the Wetland Park by lessee.
- c. Revise both the Parcel 10R Amended and Restated Lease form and the Parcel 10 new Lease Agreement form to incorporate the Net Transfer Proceeds Share Excluded Transfer provisions substantially in the form approved in connection with the (Parcel 28) Mariners Bay Amended and Restated Lease.

Assignment of Parcel 10R Leasehold and the Option Agreements

Lessee and Assignee have entered into a purchase and sale agreement for the sale to Assignee of the existing leasehold on Parcel 10R and the assignment of the Option Agreements for Parcels 10R and Parcel 14 to Assignee.

The County's criteria used to approve or deny an assignment include the following: (a) the financial condition of the assignee; (b) the price to be paid for the leasehold will not jeopardize the assignee's ability to meet its obligations under the lease; and (c) the experience and reputation of the assignee in the operation and management of similar projects.

The Department's review of the proposed assignee has found: (a) that Assignee is a single purpose entity formed to acquire and own the Parcel 10R and Parcel 14 leasehold for the purpose of a single development; and (b) Assignee is a joint venture between PR Neptune, LLC (the sole member in which is an investment fund, PRISA LHC, LLC, managed by PGIM Real Estate, an affiliate of Prudential Life Insurance Company) and GS Neptune Holdings, LLC, a limited liability company whose members are an affiliate of Greystar Real Estate Partners and an affiliate of Legacy Partners Residential.

Greystar Real Estate Partners is a vertically integrated property management, investment management and development services company founded in 1993. It is the largest apartment operator in the country with 410,000 rental units under management. The company is headquartered in Charleston, South Carolina, and has 32 regional and local offices throughout the country, including Los Angeles. Greystar has acquired \$9.6 billion

of assets and developed \$2.0 billion of projects since 2012. Greystar currently has \$4.3 billion worth of projects under construction.

Legacy Partners Residential, a 46-year old, privately held real estate investment management and development company, has developed and acquired nationally over 72,000 apartments units totaling approximately 70 million square feet with a total capitalization in excess of \$6 billion. Today, Legacy owns and operates 62 communities, totaling 13,343 units. In Southern California, Legacy's current development portfolio consists of seven projects, with over 1,850 units, which represents \$725 million in development costs.

PRISA LHC, LLC Fund is a perpetual life, open-ended, commingled fund that invests primarily in core real estate assets located in the United States. The fund is managed by PGIM Real Estate, one of the largest real estate investment managers in the world with \$65.4 billion in gross assets under management.

The Department has concluded that the proposed assignment meets the requirements for County's approval under the existing Lease, and there is no legal basis upon which County may withhold its approval.

#### County Participation in Sale Proceeds

Under the terms of the Option Agreement for Parcel 10R, if the leasehold and the Option Agreement are assigned, the County is entitled to receive a participation share equal to the greater of: (a) 2% of the gross transfer proceeds (i.e., the sales price); or (b) 10% of the net transfer proceeds (i.e., the sale price less the lessee's basis and pre-development, transaction, and other related costs) from Legacy's share of the profits. The participation fee is currently expected to be approximately \$348,000, representing 10% of the \$3,478,000 that Legacy has realized as profit from the assignment.

Under the proposed modifications to the lease agreements for Parcels 10R and 14, the County will receive \$150,000 as a fee for the extension of the Outside Completion of Construction Date. That amount represents slightly more than six months of the initial land rent as currently projected at the Amended and Restated Lease rental rate.

#### Implementation of Strategic Plan Goals

The recommended actions will allow the proposed assignee to continue its effort towards the proactive redevelopment of the parcel, which will help the County achieve fiscal sustainability (Strategic Plan Goal No. 1, Strategy No. 1).

### **FISCAL IMPACT/FINANCING**

Approval of the assignment by your Board and execution of the proposed Option Agreement Amendments will or may (in the event of option exercise) produce the following benefits to the County:

#### **Participation Fee for Assignment of Leaseholds:**

- Lessee shall pay County a participation fee in the amount of \$350,000 upon the assignment of the leasehold.

#### **Fee for extension of the Outside Completion of Construction Date:**

- Lessee shall pay County a fee in the amount of \$150,000 to extend the Outside Completion of Construction Date for an additional six months. The fee shall be paid as a precondition to exercising the Option.

#### **Operating Budget Impact:**

Upon your Board's approval of the Assignment and Lessee's transfer of the leaseholds to Assignee, the Marina ACO Fund will receive a one-time \$350,000 fee to continue to maintain and improve the public areas of the Marina and its infrastructure., which may be credited against the County's participation in the sale proceeds once those are realized, and the Department of Beaches and Harbors' operating budget will receive a payment of \$150,000 as a fee for the six-month extension of the Outside Completion of Construction Date. Revenues from these fees will be accounted for as Fiscal Year 2016-17 one-time over-realized revenues, as it was not included in the FY 2016-17 Final Adopted Budget. The assignment is expected to close in the fourth quarter of 2016.

Costs of the consultants involved in the negotiation and development of the subject transaction are being reimbursed by the lessee on an ongoing basis.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The existing 60-year lease for Parcel 10R expires on February 28, 2022. Lessee will have separate option and lease agreements for Parcel 10R and Parcel 14, but will not be allowed to exercise the option on Parcel 14 unless it has either exercised or simultaneously exercises the option on Parcel 10R, or it provides adequate assurances of the completion of the redevelopment of Parcel 10R.

Parcel 10R consists of 136 existing apartments and an anchorage with 182 slips and eight end-ties with frontage on Via Marina and Marquesas Way, and which is located on the southeast corner of Via Marina and Marquesas Way.

Parcel 14 is currently a public parking lot with frontage on Via Marina and Marquesas Way and located at the northeast corner of Via Marina and Marquesas Way. Parcel 14 had its land-use designation changed from Open Space to Residential V/Residential III to accommodate development of 126 apartments on the parcel.

Approval of the proposed modifications to the option agreements is without prejudice to the County's full exercise of its regulatory authority in the consideration of the land use entitlements required for the possible exercise of the options.

Entering into leases of the County's Marina del Rey real property is authorized by Government Code sections 25907 and 25536. The lease terms are in conformance with the maximum 99-year period authorized by California law.

At its meeting of September 21, 2016, the Small Craft Harbor Commission \_\_\_\_\_ the recommendations to approve both option amendments (including the modified form of the Amended and Restated Lease Agreement for Parcel 10R, and the modified form of new Lease Agreement for Parcel 14), substantially as attached. County Counsel has approved the documents as to form.

## **ENVIRONMENTAL DOCUMENTATION**

On April 26, 2011, your Board certified the Final Environmental Impact Report (FEIR), State Clearinghouse Number 2007031114, which analyzed five separate project components located on three different parcels. These components included, generally: (1) a 400-unit residential apartment building on Parcel 10R and adjacent waterside improvements, applied for by Neptune Marina; (2) a 126-unit residential apartment building on Parcel 14 (formerly Parcel FF), applied for by Neptune Marina; (3) a 288-room hotel and timeshare resort, applied for by Woodfin; (4) a restored public wetland and upland park project on the southerly portion of Parcel 9U, applied for by the Department of Beaches and Harbors; and (5) a public-serving boat anchorage proximal to Parcel 9U within Marina del Rey Basin B, applied for by the Department of Beaches and Harbors. Following a public hearing on April 26, 2011, and after certifying the FEIR, your Board indicated its intent to approve all the projects analyzed in the FEIR, with the exception of Woodfin's hotel project (Component 3, above).

The recommended actions are within the scope of the project in the previously certified FEIR.

Upon your Board's approval of the proposed actions, staff will file a Notice of Determination with the County Clerk in accordance with Section 21152(a) of the California Public Resources Code.



The Honorable Board of Supervisors

October \_\_\_\_, 2016

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**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on other current services or projects.

**CONCLUSION**

It is requested that the Executive Officer, Board of Supervisors send two original copies of Amendment No.1 to the Option Agreement for Parcel 10R, two original copies of the Amendment No. 1 to the Option Agreement for Parcel 14, and an adopted copy of the Board Letter to the Department of Beaches and Harbors. Should you have any questions please contact Don Geisinger at (310) 305-9506 or [dgeisinger@bh.lacounty.gov](mailto:dgeisinger@bh.lacounty.gov).

Respectfully submitted,

Gary Jones, Director

GJ:BL:SP:dg  
Attachment

c: Chief Executive Officer  
Executive Officer, Board of Supervisors  
County Counsel

**SECOND MODIFICATION OF OPTION TO AMEND LEASE AGREEMENT  
(Parcel 10R)**

THIS SECOND MODIFICATION OF OPTION TO AMEND LEASE AGREEMENT (“**Second Modification Agreement**”) is made as of \_\_\_\_\_, 2016, between COUNTY OF LOS ANGELES (“**County**”), and LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership (“**Lessee**”).

**RECITALS**

A. County and Lessee, or its predecessors-in-interest, entered into Lease No. 5074 dated May 4, 1962, as amended (the “**Existing Lease**”), pursuant to which Lessee currently leases from County certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel No. 10R, as more particularly described in the Existing Lease (the “**Premises**”).

B. County and Lessee entered into that certain Option to Amend Lease Agreement dated as of August 19, 2008 (the “**Original Option Agreement**”), whereby County granted Lessee an option (referenced in the Option Agreement as the “**Option**”) to amend and restate the Existing Lease in its entirety upon the terms and conditions more specifically set forth in the Option Agreement, including, without limitation, (i) an extension of the term of the Existing Lease through February 28, 2061, and (ii) the redevelopment of the Premises in accordance with the terms and provisions of the Option Agreement.

C. County and Lessee entered into that certain Approval of Renewal of Option to Amend Lease Agreement dated as of August 16, 2011, and the Modification of Option, dated December 15, 2015 (the “**First Option Modification**”). The Original Option Agreement, as renewed and modified by the Renewal Agreement and modified by the First Option Modification, is referred to herein as the “**Option Agreement**”.

D. County and Lessee desire to enter into this Second Modification Agreement to grant Lessee an additional right to extend the Option Expiration Date and to make certain modifications to the form of Lease to be executed in connection with the exercise of the Option, all as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessee and County hereby agree as follows:

1. Capitalized Terms. All capitalized terms used in this Modification Agreement but not otherwise defined herein shall have the same meanings given such terms in the Option Agreement, and the Restated Lease described in Paragraph 4 herein after.

2. Extension of Option Expiration Date. Lessee shall have the right to extend the Option Expiration Date beyond February 19, 2017 for an additional six (6) month period upon delivery by Lessee to County, not later than one (1) month prior to the Option Expiration Date that is then in effect pursuant to the Option Agreement prior to such extension, of both written notice by Lessee to County of such extension and the payment by Lessee to County of an Additional Option Extension Fee of Fifty Thousand Dollars (\$50,000.00). Notwithstanding the foregoing, Lessee shall have no right to extend the Option Expiration Date pursuant to this paragraph at any time during which Lessee is in Default under the Option Agreement (as amended by this Second Modification Agreement) or the Existing Lease. Time is of the essence with respect to the exercise by Lessee of any right to extend the Option Expiration Date pursuant to this paragraph. The Additional Option Extension Fee paid by Lessee pursuant to this paragraph shall be non-refundable and shall not be applicable against the Option Fee.

3. Payment For Extension of Required Construction Completion Date. In consideration for extending the Required Construction Completion Date on or before thirty six months following the Effective date of the Lease, Lessee hereby agrees to pay to County the sum of one hundred fifty thousand dollars (\$150,000), payable prior to or contemporaneously with the exercise of the Option by Lessee. Accordingly, the following is added as a condition to exercise of the Option in Section 4 of the Option Agreement: “(vii) payment of one hundred fifty thousand dollars (150,000) prior to or contemporaneously with the exercise of the Option”.

4. Modifications to the Form of Restated Lease. Notwithstanding any contrary term or provision of the Option Agreement, the Restated Lease shall be in the form attached to this Second Modification Agreement as Exhibit A. Exhibit A attached to this Modification Agreement supersedes and replaces Exhibit A attached to the First Option Modification.

5. County Costs. Regardless of whether Lessee exercises the Option, Lessee shall promptly reimburse County for the Actual Costs (as defined in the Restated Lease) incurred by County in connection with the review, negotiation, preparation and documentation of this Second Modification Agreement and the matters addressed herein.

6. Entire Agreement. This Second Modification Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all previous negotiations, communications or understandings between the parties, whether oral or written, with respect to the subject matter set forth herein.

7. No Other Modifications. County and Lessee acknowledge and agree that the Option Agreement is in full force and effect, unmodified except as set forth in this Second Modification Agreement.

8. Counterparts. This Second Modification Agreement may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

[SIGNATURES ON FOLLOWING PAGE]

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

COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mayor, Board of Supervisors

LEGACY PARTNERS NEPTUNE  
MARINA L.P., a Delaware limited  
partnership

By: Legacy Partners 2598 L.P., a  
California limited partnership, its  
general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

LORI GLASGOW,  
Executive Officer – Clerk of the  
Board of Supervisors

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM,  
COUNTY COUNSEL

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

GLASER WEIL FINK HOWARD AVCHEN & SHAPIRO LLP

By: \_\_\_\_\_

EXHIBIT A  
FORM OF RESTATED LEASE



**AMENDED AND RESTATED LEASE AGREEMENT**

by and between

County of Los Angeles

and

Legacy Partners Neptune Marina L.P.

(Parcel 10R — Lease No. \_\_\_\_)

Dated as of \_\_\_\_\_, \_\_\_\_

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**AMENDED AND RESTATED LEASE AGREEMENT  
PARCEL 10R— MARINA DEL REY**

THIS AMENDED AND RESTATED LEASE AGREEMENT (“Lease”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (“Effective Date”), by and between the COUNTY OF LOS ANGELES (“County”), as lessor, and LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership (together with its permitted successors and assigns, “Lessee”), as lessee.

W I T N E S S E T H

WHEREAS, the parties hereto or their predecessors in interest, entered into Lease No. 5574 dated May 4, 1962 (as amended prior hereto, the “Existing Lease”) whereby prior to the Effective Date hereof Lessee has leased from County that certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel 10R and which is more specifically described as Parcel 10R on Exhibit A attached hereto and incorporated herein by this reference (the “Premises”), the term of which commenced as of March 1, 1962 and currently extends through February 28, 2022 (the “Existing Expiration Date”); and

WHEREAS, County and Lessee have entered into that certain Option to Amend Lease Agreement dated August 19, 2008, as renewed by Renewal of Option to Amend Lease Agreement dated as of August 16, 2011, and as modified by Modification of Option to Amend Lease Agreement dated as of \_\_\_\_\_, 2015 (collectively, the “Option Agreement”), pursuant to which County has granted Lessee an option (the “Option”) to amend and restate the Existing Lease in its entirety, upon the terms and conditions more specifically provided herein, including, without limitation, (i) the extension of the term of the Existing Lease through February 28, 2061, and (ii) the redevelopment of the Premises in accordance with the terms and provisions hereof; and

WHEREAS, Lessee has exercised the Option in accordance with the terms and provisions of the Option Agreement.

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and each of them do agree that the Existing Lease is hereby amended and restated in full as follows:

1. BACKGROUND AND GENERAL.

1.1 Definitions. The defined terms in this Lease shall have the meanings as follows:

1.1.1 “ACCOUNTING YEAR” shall have the meaning set forth in Section 14.7.

1.1.2 “ACTUAL COST” shall mean (i) the reasonable out-of-pocket costs and expenses incurred by County with respect to a particular activity or procedure,

including without limitation, expenditures to third party legal counsel, financial consultants and advisors (including the use of County's environmental consultant), (ii) costs incurred in connection with appraisals, (iii) the reasonable value of services actually provided by County's in-house counsel, and (iv) the reasonable value of services actually provided by County's lead lease negotiator/administrator and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is two levels below County department head) required by the lead lease negotiator/administrator for technical expertise or assistance. In those instances in which Lessee is obligated to reimburse County for its Actual Costs incurred in performing obligations required to be performed by Lessee under this Lease which Lessee fails to perform within the applicable cure period, if any, provided under this Lease, Actual Costs shall also include a reasonable allocation of County overhead and administrative costs to compensate County for performing such obligations on behalf of Lessee.

1.1.3 "ADA" shall have the meaning set forth in Section 1.2.

1.1.4 "ADJUSTMENT DATES" shall have the meaning set forth in subsection 4.2.4.

1.1.5 "ADMINISTRATIVE CHARGE" shall have the meaning set forth in Section 4.6.

1.1.6 "AGGREGATE TRANSFER" shall have the meaning set forth in subsection 4.6.3.

1.1.7 "AIG ENTITY" means AIG Global Real Estate Investment Corp. and any person or entity that directly or indirectly controls, is controlled by, or is under common control with, AIG Global Real Estate Investment Corp.

1.1.8 "AIG TERMINATION TRANSACTION" shall have the meaning set forth in Section 4.8.

1.1.9 "ANCHORAGE FACILITIES" shall have the meaning set forth in subsection 5.1.1.

1.1.10 "ANCHORAGE FACILITIES QUALITY STANDARD" shall have the meaning set forth in subsection 5.1.1.

1.1.11 "ANCHORAGE WORK" shall have the meaning set forth in subsection 5.1.1.

1.1.12 "ANNUAL MINIMUM RENT" shall have the meaning set forth in subsection 4.2.1.

1.1.13 "APARTMENT GROSS RECEIPTS" shall have the meaning set forth in subsection 4.2.3.

1.1.14 “APARTMENT PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.15 “APPLICABLE LAWS” shall have the meaning set forth in subsection 1.2.1.

1.1.16 “APPLICABLE RATE” shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

1.1.17 “APPROVED APARTMENT/SLIP LEASE” shall have the meaning set forth in subsection 11.1.2.

1.1.18 “APPROVED GOVERNMENTAL CHANGES” shall have the meaning set forth in Section 6.3.1 of the Option Agreement.

1.1.19 “ASSIGNMENT STANDARDS” shall have the meaning set forth in Section 11.2.

1.1.20 “AUDITOR-CONTROLLER” shall mean the Auditor-Controller of the County of Los Angeles, California.

1.1.21 “AWARD” shall have the meaning set forth in subsection 6.1.3.

1.1.22 “BASE VALUE” shall have the meaning set forth in subsection 4.8.1.1.

1.1.23 “BENEFICIAL INTEREST” shall have the meaning set forth in subsection 4.6.4.

1.1.24 “BOARD” shall mean the Board of Supervisors for the County of Los Angeles.

1.1.25 “BUSINESS DAY” shall have the meaning set forth in Section 17.3.

1.1.26 “CALCULATION NOTICE” shall have the meaning set forth in Section 4.7.

1.1.27 “CAPITAL RESERVE FUND” shall have the meaning set forth in Section 5.14.

1.1.28 “CHANGE OF OWNERSHIP” shall have the meaning set forth in subsection 4.6.1.

1.1.29 “CHANGE OF CONTROL” shall have the meaning set forth in subsection 4.6.1.

1.1.30 “CITY” shall mean the City of Los Angeles, California.

1.1.31 “COMPLETION DATE” shall mean the date of receipt of the first Temporary Certificate of Occupancy or other applicable governmental permit, certificate or approval for the legal occupancy of any apartment building constructed on the Premises as part of the Redevelopment Work pursuant to Article 5 of this Lease.

1.1.32 “CONDEMNATION” shall have the meaning set forth in subsection 6.1.1.

1.1.33 “CONDEMNOR” shall have the meaning set forth in subsection 6.1.4.

1.1.34 “CONSUMER PRICE INDEX” shall mean the Consumer Price Index-All Urban Consumers for Los Angeles/Riverside/Orange Counties, as published from time to time by the United States Department of Labor or, in the event such index is no longer published or otherwise available, such replacement index as may be agreed upon by County and Lessee.

1.1.35 “COUNTY” shall have the meaning set forth in the first paragraph of this Lease.

1.1.36 “COUNTY OPTION” shall have the meaning set forth in subsection 11.2.4.

1.1.37 “COUNTY OPTION PRICE” shall have the meaning set forth in subsection 11.2.4.

1.1.38 “COUNTY POOL RATE” shall have the meaning set forth in subsection 4.3.5 of this Lease.

1.1.39 “CUMULATIVE APARTMENT GROSS RECEIPTS” shall have the meaning set forth in subsection 4.2.3.

1.1.40 “CUMULATIVE APARTMENT GROSS RECEIPTS THRESHOLD” shall have the meaning set forth in subsection 4.2.3.

1.1.41 “CUMULATIVE APARTMENT PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.42 “CUMULATIVE SUPPLEMENTAL PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.43 “DATE OF TAKING” shall have the meaning set forth in subsection 6.1.2.



1.1.44 “DEPARTMENT” shall mean the Department of Beaches and Harbors of the County of Los Angeles.

1.1.45 “DIRECTOR” shall mean the Director of the Department of Beaches and Harbors of the County of Los Angeles or any successor County officer responsible for the administration of this Lease.

1.1.46 “DISQUALIFICATION JUDGMENT” shall have the meaning set forth in subsection 16.15.1.

1.1.47 “DOCUMENTED TRANSACTION COSTS” shall have the meaning set forth in subsection 4.8.1.2.

1.1.48 “EFFECTIVE DATE” shall mean the date set forth in the first preamble paragraph of this Lease.

1.1.49 “ENCUMBRANCE” shall have the meaning set forth in subsection 12.1.1.

1.1.50 “ENCUMBRANCE HOLDER” shall have the meaning set forth in subsection 12.1.1.

1.1.51 “ENR INDEX” shall mean the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Area, or such substitute index as the parties may mutually agree upon if such index is no longer published or otherwise available.

1.1.52 “EVENTS OF DEFAULT” shall have the meaning set forth in Section 13.1.

1.1.53 “EXCESS PERCENTAGE RENT PAYMENT” shall have the meaning set forth in subsection 4.2.2.4.

1.1.54 “EXISTING APARTMENTS” shall mean the 136 apartments existing on the Premises as of the Effective Date.

1.1.55 “EXISTING EXPIRATION DATE” shall have the meaning set forth in the preamble to this Lease.

1.1.56 “EXISTING LEASE” shall have the meaning set forth in the preamble to this Lease.

1.1.57 “EXTENDED TIME” shall have the meaning set forth in Section 15.15.

1.1.58 “EXTENSION FEE” shall have the meaning set forth in Section 2.2.

1.1.59 “EXTENSION FEE BALANCE” shall have the meaning set forth in Section 2.2.

1.1.60 “EXTENSION FEE DOWNPAYMENT” shall have the meaning set forth in Section 2.2.

1.1.61 “EXTENSION PAYMENT” shall have the meaning set forth in Section 2.2 of this Lease.

1.1.62 “FAIR MARKET RENTAL VALUE” shall have the meaning set forth in subsection 4.3.1.

1.1.63 “FINAL ALTERATION PLANS AND SPECIFICATIONS” shall have the meaning set forth in subsection 5.3.3.

1.1.64 “FINAL REDEVELOPMENT WORK PLANS AND SPECIFICATIONS” shall have the meaning set forth in subsection 5.1.4.

1.1.65 “FINANCING EVENT” shall have the meaning set forth in Section 12.1.

1.1.66 “FORCE MAJEURE” shall have the meaning set forth in Section 5.6.

1.1.67 “GROSS ERROR” shall have the meaning set forth in subsection 16.15.4.

1.1.68 “GROSS TRANSFER PROCEEDS” shall have the meaning set forth in Section 4.8.

1.1.69 “GROSS RECEIPTS” shall have the meaning set forth in subsection 4.2.2.3.

1.1.70 “IMPROVEMENTS” means all buildings, structures, fixtures, docks, anchorage facilities, fences, fountains, walls, paving, parking areas, driveways, walkways, plazas, landscaping, permanently affixed utility systems and other improvements now or hereafter located on the Premises.

1.1.71 “IMPROVEMENT COSTS” shall have the meaning set forth in subsection 4.8.1.1.

1.1.72 “INCOME APPROACH” shall have the meaning set forth in Section 6.5.

1.1.73 “INITIATING PARTY” shall have the meaning set forth in the first paragraph of Article 16.

1.1.74 “INSTITUTIONAL LENDER” shall have the meaning set forth in subsection 12.1.3.1

1.1.75 “INSURANCE RENEGOTIATION DATE” shall have the meaning set forth in Section 9.3.

- 1.1.76 “LANDSIDE WORK” shall have the meaning set forth in subsection 5.1.1.
- 1.1.77 “LATE FEE” shall have the meaning set forth in Section 4.5.
- 1.1.78 “LEASE” shall mean this Amended and Restated Lease Agreement.
- 1.1.79 “LEASE YEAR” shall have the meaning set forth in Section 2.1.
- 1.1.80 “LESSEE” shall have the meaning set forth in the first paragraph of this Lease.
- 1.1.81 “LESSEE SALE PRICE” shall have the meaning set forth in subsection 11.2.4.
- 1.1.82 “MAJOR SUBLEASE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.83 “MAJOR SUBLESSEE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.84 “MINIMUM REQUIRED COST AMOUNT” shall have the meaning set forth in subsection 5.1.2.
- 1.1.85 “MINIMUM STANDARDS” shall mean the requirements of Policy Statement No. 25 and the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey approved in 1989, as modified by County or the Department from time to time in a manner consistent with commercially reasonable standards applicable to other comparable residential apartment project and marina facilities in Marina del Rey (the “Minimum Standards”).
- 1.1.86 “MONTHLY MINIMUM RENT” shall have the meaning set forth in subsection 4.2.1.
- 1.1.87 “NET AWARDS AND PAYMENTS” shall have the meaning set forth in Section 6.7.
- 1.1.88 “NET PROCEEDS SHARE” shall have the meaning set forth in Section 4.6.
- 1.1.89 “NET REFINANCING PROCEEDS” shall have the meaning set forth in subsection 4.8.5.
- 1.1.90 “NET TRANSFER PROCEEDS” shall have the meanings set forth in subsections 4.8.1 and 4.8.2.
- 1.1.91 “NOTICE OF COMPLETION” shall have the meaning set forth in subsection 5.8.7.

1.1.92 “OPTION” shall have the meaning set forth in the preamble to this Lease.

1.1.93 “OPTION AGREEMENT” shall have the meaning set forth in the preamble to this Lease.

1.1.94 “PARTIAL TAKING” shall have the meaning set forth in Section 6.5.

1.1.95 “PAYMENT BOND” shall have the meaning set forth in subsection 5.4.3.2.

1.1.96 “PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.2.

1.1.97 “PERFORMANCE BOND” shall have the meaning set forth in subsection 5.4.3.1.

1.1.98 “PERMITTED USES” shall have the meaning set forth in Section 3.1.

1.1.99 “PREMISES” shall have the meaning set forth in the preamble to this Lease.

1.1.100 “PRIME RATE” shall mean the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

1.1.101 “PROPOSED TRANSFER” shall have the meaning set forth in subsection 11.2.4.

1.1.102 “PUBLIC DOCKS” shall have the meaning set forth in subsection 5.1.1.

1.1.103 “PUBLIC DOCKS WORK” shall have the meaning set forth in subsection 5.1.1.

1.1.104 “PUBLIC WORKS DIRECTOR” shall mean the Director of the Department of Public Works of the County of Los Angeles.

1.1.105 “PURCHASE MONEY NOTE” shall have the meaning set forth in subsection 4.7.2.

1.1.106 “QUALIFIED HARD COSTS” shall have the meaning set forth in subsection 5.1.2.

1.1.107 “REDEVELOPMENT WORK” shall have the meaning set forth in subsection 5.1.1.

- 1.1.108 “RENEGOTIATION DATES” shall have the meaning set forth in Section 4.3.
- 1.1.109 “RENOVATION FUND” shall have the meaning set forth in Section 15.13.
- 1.1.110 “REPLY” shall have the meaning set forth in Section 16.5.
- 1.1.111 “REQUIRED CONSTRUCTION COMMENCEMENT DATE” shall have the meaning set forth in subsection 5.1.3.
- 1.1.112 “REQUIRED CONSTRUCTION COMPLETION DATE” shall have the meaning set forth in subsection 5.1.3.
- 1.1.113 “RESPONDING PARTY” shall have the meaning set forth in the first paragraph of Article 16.
- 1.1.114 “SEAWALL” shall have the meaning set forth in Section 10.7.
- 1.1.115 “SECTION” shall mean a section of this Lease.
- 1.1.116 “SECURITY DEPOSIT” shall have the meaning set forth in Section 7.1.
- 1.1.117 “SHALL” and “WILL” are mandatory and the word “MAY” is permissive.
- 1.1.118 “STATE” shall mean the State of California.
- 1.1.119 “STATEMENT OF POSITION” shall have the meaning set forth in subsection 16.6.
- 1.1.120 “SUBLEASE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.121 “SUBLESSEE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.122 “SUBSECTION” shall mean a subsection of a Section of this Lease.
- 1.1.123 “SUBSTANTIAL COMMENCEMENT OF CONSTRUCTION” shall have the meaning set forth in subsection 5.1.3.
- 1.1.124 “SUBSTANTIAL COMPLETION” shall have the meaning set forth in subsection 5.1.3.
- 1.1.125 “SUPPLEMENTAL PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.
- 1.1.126 “TERM” shall have the meaning set forth in Section 2.1.

1.1.127 “TIME OF THE ESSENCE” shall have the meaning set forth in Section 15.2.

1.1.128 “UNINSURED LOSS” shall have the meaning set forth in Section 10.5.

1.1.129 “UNREASONABLE COUNTY ACT” shall have the meaning set forth in subsection 5.7.2.

1.1.130 “WRITTEN APPRAISAL EVIDENCE” shall have the meaning set forth in Section 16.7.

1.2 Lease. For and in consideration of the payment of rentals and the performance of all the covenants and conditions of this Lease, County hereby leases to Lessee, and Lessee hereby leases and hires from County, an exclusive right to possess and use, as tenant, the Premises for the Term (as hereinafter defined) and upon the terms and conditions and subject to the requirements set forth herein.

1.2.1 As-Is. Lessee acknowledges that (1) it is currently in possession of the Premises, (2) Lessee or its predecessors-in-interest have continuously occupied and/or managed and operated the Premises since 1962, and (3) the Improvements now existing on the Premises were constructed by Lessee or its predecessors with contractors selected by them. Except as provided in Section 1.4, Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the Effective Date and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises “AS IS WITH ALL FAULTS”. Lessee hereby accepts the Premises on an “AS IS WITH ALL FAULTS” basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises and/or any Improvements located thereon, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises and/or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land and within the Improvements and within each space therein, (ii) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and/or any Improvements located thereon, (iv) the development potential of the Premises, and the use, habitability, merchantability or fitness, or the suitability, value or adequacy of the Premises and/or any Improvements located thereon for any particular purpose, (v) the zoning or other legal status or entitlement or lack thereof of the Premises or any other public or private restrictions on use of the Premises, (vi) the compliance of the Premises and/or any Improvements located thereon with any applicable codes, laws, rules, regulations,

statutes, resolutions, ordinances, covenants, conditions and restrictions of County, City, State, the United States of America, the California Coastal Commission and/or any other governmental or quasi-governmental entity ("Applicable Laws") or of any other person or entity (including, without limitation, relevant provisions of the Americans with Disabilities Act ("ADA")), (vii) the presence of any underground storage tank or hazardous materials on, under or about the Premises or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any Improvements, (ix) subject to Section 1.3 below, the condition of title to the Premises, and (x) the economics of the operation of the Premises and/or any Improvements located thereon.

Notwithstanding the foregoing, this subsection 1.2.1 shall not alter the parties' rights and obligations under the Existing Lease with respect to any environmental conditions existing on the Premises as of the Effective Date.

1.3 Title. County represents that County owns fee title to the Premises and that County has authority to enter into this Lease. Lessee hereby acknowledges the title of County in and to the Premises, and covenants and agrees never to contest or challenge the extent of said title, except as is necessary to ensure that Lessee may occupy the Premises pursuant to the terms and conditions of this Lease.

1.4 Excluded Conditions. Notwithstanding anything to the contrary set forth herein, the terms and provisions of subsection 1.2.1 shall not be applicable to any sewer, storm drain or other improvements which have been dedicated to (and such dedication has been accepted by) the Department of Public Works of the County ("Excluded Conditions"); provided, however, that this Lease (as opposed to any separate dedication acceptance or other contractual or legal obligation) shall not create any obligation or liability on the part of County with respect to such sewer, storm drain and other improvements.

## 2. TERM.

2.1 Term. The term of this Lease ("Term") for the Premises commenced on March 1, 1962. Unless terminated sooner in accordance with the provisions of this Lease, the Term shall expire at 11:59 p.m. on February 28, 2061. For purposes of this Lease, "Lease Year" shall mean each calendar year (or partial calendar) during the Term of this Lease. Notwithstanding the foregoing, with respect to any provision in this Lease that refers to a specified number of Lease Years after the Effective Date, the number of Lease Years after the Effective Date shall be calculated based on the following: (a) if the Effective Date is prior to July 1 of a calendar year, then the first Lease Year after the Effective Date shall mean the period from the Effective Date through December 31 of the calendar year during which the Effective Date occurs, and (b) if the Effective Date is on or after July 1 of a calendar year, then the first Lease Year shall mean the period from the Effective Date through December 31 of the calendar year following the calendar year during which the Effective Date occurs.

2.2 Extension Payments. In consideration for County's agreement to enter into this Lease, Lessee shall pay to County as hereinafter provided the principal sum of One Million Dollars (\$1,000,000.00) (the "Extension Fee"). County received the first One Hundred Thousand Dollars (\$100,000.00) of the Extension Fee in the form of the Option Fee that was paid by Lessee by County concurrent with the execution of the Option Agreement. The

remaining portion of the Extension Fee balance of Nine Hundred Thousand Dollars (\$900,000.00) (the "Extension Fee Balance") that remains unpaid from time to time shall bear interest from the Effective Date until the date of payment at an annual rate, compounded annually, equal to the Prime Rate in effect from time to time. The initial interest rate shall be the Prime Rate in effect on the Effective Date. The interest rate shall adjust thereafter on an annual basis on each anniversary of the Effective Date to the Prime Rate in effect on each such anniversary. Commencing on the first anniversary of the Effective Date and continuing on each successive anniversary of the Effective Date thereafter during the ten (10) year period following the Effective Date Lessee shall make annual payments of the Extension Fee in an amount of Ninety Thousand Dollars (\$90,000.00) each, plus interest accrued on the outstanding unpaid balance of the Extension Fee (each, an "Extension Payment"). The entire outstanding unpaid principal balance of the Extension Fee and all accrued and unpaid interest shall be due and payable on the tenth (10th) anniversary of the Effective Date. The unpaid balance of the Extension Fee (including accrued interest thereon), may be prepaid by Lessee, in whole or in part, at any time. Any uncured failure by Lessee to make an Extension Payment or to repay the entire unpaid Extension Fee and accrued interest on or before the tenth (10th) anniversary of the Effective Date is acknowledged to be a monetary default of the terms and conditions of this Lease and shall give rise to County's remedies as set forth herein, including without limitation County's right to receive a Late Fee in connection with such late payment and/or County's right to terminate this Lease in accordance with Article 13. Upon the occurrence of an Event of Default, County shall have the right to declare the entire remaining unpaid Extension Fee (including accrued, but unpaid interest) immediately due and payable.

### 2.3 Intentionally Omitted

2.4 Ownership of Improvements During Term. Until the expiration of the Term or sooner termination of this Lease and except as specifically provided herein, Lessee shall own all Improvements now existing and constructed by Lessee or its predecessors or hereafter constructed by Lessee upon the Premises, and all alterations, additions, or betterments made thereto by Lessee.

2.5 Reversion of Improvements. Upon the expiration of the Term or sooner termination of this Lease, whether by cancellation, forfeiture or otherwise:

2.5.1 County's Election to Receive Improvements. At the election of County, all structures, buildings, Improvements and all alterations, additions, and betterments thereto, and all other Improvements made to or upon the Premises shall remain upon and be surrendered with the Premises as part thereof and title thereto shall vest in County without compensation therefor to Lessee. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to receive any and all proceeds which are attributable to the Condemnation of business installations, Improvements, structures and buildings belonging to Lessee immediately prior to the taking of possession by the Condemnor as said rights are set forth in Article 6 of this Lease, or to remove any furniture or equipment not intended to be permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee (as opposed to other signage used in the operation of the Premises and associated Improvements), or any personal property, upon



the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee's obligations under this Lease to use the Premises for the Permitted Uses.

2.5.2 Duty to Remove. No earlier than eight (8) years, and no later than seven (7) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert approved by County, such approval not to be unreasonably withheld or delayed, which report details and estimates the cost of removing all Improvements on the Premises at the expiration of the Term. County may give written notice (the "County Removal Notice") at any time, no later than six (6) years prior to the expiration of the Term or concurrently upon any earlier termination, of County's election to require Lessee to remove, at the sole cost and expense of Lessee, not later than the expiration of the Term or earlier termination of this Lease, all or any portion of the at grade, above grade and below grade Improvements of any kind whatsoever placed or maintained on the Premises, whether placed thereon or maintained by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings; and if such structures are required to be removed by Lessee, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps. Lessee shall have the right, by written notice to County not later than thirty (30) days prior to the expiration of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender obligations under this subsection 2.5.2 and/or the Lessee's removal obligations under subsection 2.5.4 below to a date not more than one hundred twenty (120) days after the expiration of the Term; provided, however, that all of the Lessee's obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises) shall be applicable during such additional period, including without limitation, the Lessee's obligations with respect to insurance and indemnification, and Lessee's obligation to pay County compensation for such period in an amount equal to the Monthly Minimum Rent rate in effect immediately prior to the expiration of the Term.

If County elects to require Lessee to remove Improvements hereunder pursuant to the County Removal Notice, Lessee shall, no later than the date which is thirty (30) days after Lessee's receipt of the County Removal Notice, provide County with a written plan which sets forth Lessee's proposed method of securing the discharge of Lessee's removal and restoration obligations pursuant to this subsection. Such security plan shall detail (i) the form of security proposed by Lessee, which security shall be either a deposit of funds, or a letter of credit, bond or other form of security in form and amount, and from an issuer, satisfactory to County, and (ii) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (i) above, which schedule shall in all events provide for a full funding of the security not later than two (2) years prior to the expiration of the Term. The amount of the deposit or letter of credit, bond or other security shall be no less than the estimated costs to remove the Improvements set forth in the report described above, adjusted annually to reflect the increase or decrease, if any, in the ENR Index over the ENR Index as of the date of cost estimation set forth in such expert report; provided, however, that in no event shall such adjustment result in a

deposit or letter of credit, bond or other security of an amount less than that set forth in the expert report. Any uncured failure by Lessee to deliver the removal and restoration security described in this subsection 2.5.2 shall constitute an Event of Default. If County fails to elect to require Lessee to remove the buildings, structures and Improvements on the Premises as provided above, then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall turn over the Premises to County in good and workmanlike condition, consistent with the condition of other buildings, structures and Improvements of comparable age and construction quality.

2.5.3 County's Right to Remove Improvements. Should Lessee fail to so remove said structures, buildings and Improvements and restore the Premises, County may sell, remove or demolish the same, in event of which sale, removal or demolition Lessee shall reimburse County for any cost or expense thereof in excess of any funds received by County through the security above provided and any consideration received by County as a result of such sale, removal or demolition.

2.5.4 Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease (or within the additional one hundred twenty (120) day period described in subsection 2.5.2 above), Lessee shall in any event remove at its cost and expense such furniture, equipment and personal property as are not firmly affixed to said structures, buildings and Improvements or reasonably necessary for the orderly operation of the Premises. Should Lessee fail to so remove said furniture, equipment and personal property within said period, and said failure continues for thirty (30) days after written notice from County to Lessee, Lessee shall lose all right, title and interest in and thereto, and County may elect to keep the same upon the Premises or to sell, remove, or demolish the same, in event of which sale, removal, or demolition Lessee shall reimburse County for its Actual Costs incurred in connection with such sale, removal or demolition in excess of any consideration received by County as a result of said sale, removal or demolition.

2.5.5 Title to Certain Improvements Passes to County; Lessee to Maintain. As between County and Lessee, title to all utility lines, transformer vaults and all other utility facilities constructed or installed by Lessee upon the Premises shall vest in County upon construction or installation to the extent that they are not owned by a utility company or other third party provider. Notwithstanding that title shall vest in County, all utility lines, transformer vaults and all other utility facilities (other than any sewer, storm drain or other utility systems which have been dedicated to and accepted by County pursuant to a dedication separate from this Lease), shall be maintained, repaired, and replaced, if and as needed, by Lessee during the Term.

### 3. USE OF PREMISES.

3.1 Specific Primary Use. The Premises shall be used by Lessee for the operation and management of (i) a luxury residential apartment project, (ii) boat anchorage facilities, including transient boat accommodations and liveaboards, and (iii) such other related and incidental uses as are specifically approved by County (collectively, the foregoing shall be referred to herein as the "Permitted Uses"). Except as specifically provided herein, the Premises shall be used for no

other purpose without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 Prohibited Uses. Notwithstanding the foregoing:

3.2.1 Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Premises, except in appropriate receptacles intended for such purposes, nor shall any portion of the Premises be maintained so as to render said Premises a fire hazard or unsanitary, unsightly, offensive, or an imminent risk to public health and safety, nor shall any similar activity be permitted on any adjacent public street or adjacent property. Lessee shall be permitted to perform the Redevelopment Work on the Premises, provided that such work is conducted in compliance with Article 5 of this Lease.

3.2.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Premises as set forth in this Lease, the following uses of the Premises are expressly prohibited:

3.2.2.1 The Premises shall not be used or developed in any way which is in violation of any Applicable Laws.

3.2.2.2 The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity; provided, however, that this subsection 3.2.2.2 shall not be interpreted to regulate in violation of Applicable Law the private activity of an individual that is confined to such individual's private residence.

3.2.2.3 No improvement on the Premises shall be permitted to fall into disrepair and all Improvements shall at all times be kept in good condition and repair consistent with the requirements of Section 10.1 of this Lease.

3.2.2.4 No condition shall be permitted to exist upon the Premises which shall induce, breed or harbor infectious plant diseases, rodents, or noxious insects and Lessee shall take such measures as are appropriate to prevent any conditions from existing on the Premises which create a danger to the health or safety of any persons residing or working at, or persons patronizing, the Premises.

3.2.2.5 Without the prior written reasonable approval of Director, no antennae or other device for the transmission or reception of television signals or any other form of electromagnetic radiation shall be erected, used or maintained by Lessee outdoors above ground on any portion of the Premises, whether attached to an improvement or otherwise; provided that the foregoing

requirement to obtain Director's approval as to any antennae or other transmission or reception devices shall be inapplicable to the extent that such requirement violates Applicable Law.

3.2.2.6 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (i) as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease, and (ii) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

3.2.2.7 Except for the Excluded Conditions and the Seawall, no adverse environmental condition in violation of Applicable Laws shall be permitted to exist on any portion of the Premises, nor shall any toxic or hazardous wastes be permitted to be generated, treated, stored, disposed of, or otherwise deposited in or on or allowed to emanate from the Premises or any portion thereof, including, without limitation, into the surface waters and subsurface waters thereof; provided, however, that toxic or hazardous substances may be stored or used, so long as such storage and use is (a) ancillary to the ordinary course of business of an otherwise Permitted Use with the intent that such substances will be used in the ordinary course of business, and (b) conducted in compliance with all Applicable Laws.

This Subsection 3.2.2.7 shall not impose liability upon Lessee to County for any Hazardous Substances that might be present in seawater passing over, under, through or around any portion of the Premises or any Improvement as long as (I) such Hazardous Substances did not originate at or from the Premises or Improvements, and (II) with respect to Hazardous Substances that did not originate at or from the Premises or Improvements, were not caused by the acts or omissions of Lessee or its Sublessees, or its or their respective contractors, employees, agents, representatives, consultants, customers, visitors, permittees or licensees.

3.2.2.8 The following uses shall not be permitted: (a) fuel sales; (b) boat or vehicle repair, other than minor servicing or owner maintenance; (c) live bait sales; (d) commercial sportfishing and tour boats; or (e) trailer boat launching or storage; provided, however, that facilities for handling and storing dinghies, small skiffs and similar craft may be permitted upon prior approval in writing from Director.

3.3 Active Public Use. The parties acknowledge that the ultimate objective of this Lease is the complete and continuous use of the facilities and amenities located in Marina del Rey by and for the benefit of the public, without discrimination as to race, gender or religion, along with the generation and realization of revenue therefrom. Accordingly, Lessee agrees and covenants that it will operate the Premises fully and continuously (except to the extent that Lessee is prevented from doing so due to Force Majeure or due to temporary interruption for

maintenance and repair) in light of these objectives, consistent with the operation of luxury residential apartment and boat anchorage facilities, and that it will use commercially reasonable efforts so that County may obtain maximum revenue therefrom as contemplated by this Lease. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

3.4 Days of Operation. The Promenade (as defined in Section 15.19) shall be open every day of the year. Lessee shall maintain a dockmaster on duty in accordance with a schedule approved by County, which approval shall not be unreasonably withheld. Any changes in the days and/or hours of operation of the Promenade and/or dockmaster shall be subject to the written approval of County.

3.5 Signs and Awnings. Any and all art, displays, identifications, monuments, awnings, advertising signs and banners which are placed on, or are visible from, the exterior of the Premises shall be only of such size, design, wording of signs and color as shall have been specifically submitted to and approved by Director (and to the extent required under then Applicable Law, the Design Control Board), whether pursuant to Article 5 of this Lease or otherwise, in writing, prior to the erection or installation of said art, sign, display, identification, monument, awning or advertising sign. Director shall not unreasonably withhold its approval of the matters described in this Section 3.5. Any dispute as to whether Director has unreasonably withheld its approval of a matter described in this Section 3.5 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises. Without limitation of the foregoing, Lessee shall comply with (i) all conditions and requirements of Coastal Development Permit No(s). \_\_\_\_\_, and (ii) all public access requirements of the Marina del Rey Local Coastal Program, as amended. **[PRIOR TO LEASE EXECUTION INSERT REFERENCE TO THE AFFORDABLE HOUSING REQUIREMENTS APPLICABLE TO THE PREMISES IN ACCORDANCE WITH SECTION 8 OF THE OPTION AGREEMENT AND FINAL ENTITLEMENTS.]**

3.7 Rules and Regulations. Lessee agrees to comply with such other reasonable rules and regulations governing the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to other residential apartment and/or boat anchorage facilities in Marina del Rey, and delivered in writing to Lessee. Any dispute as to whether County has acted unreasonably in connection with the matters described in this Section 3.7 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.8 Reservations. Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way existing as of the date of the Existing Lease or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, and also subject to any other encumbrances, reservations, licenses, easements and rights of way consented to by Lessee.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior matters of record and the right of County or City existing as of the Effective Date or otherwise disclosed to or known to Lessee, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City to convey such easements and transfer such rights to others. Notwithstanding the foregoing or anything herein to the contrary, County agrees to cooperate with Lessee, at Lessee's cost, in Lessee's efforts to address title matters, if any, which would prevent Lessee from proceeding with the redevelopment of the Premises in accordance with the Redevelopment Work, as long as such efforts do not materially adversely affect the County (e.g., cooperating with Lessee in the relocation at Lessee's cost of any easements which interfere with the Redevelopment Work, to the extent such relocation is reasonably acceptable to County).

#### 4. PAYMENTS TO COUNTY.

4.1 Net Lease. The parties acknowledge that the rent to be paid by Lessee under this Lease is intended to be absolutely net to County. The rent and other sums to be paid to County hereunder are not subject to any demand, set-off or other withholding. Except as specifically set forth herein, Lessee shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Premises, including without limitation the parking areas included within the Premises.

4.1.1 Utilities. In addition to the rental charges as herein provided, Lessee shall pay, or cause to be paid, all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection and all other utilities and services, to said Premises.

4.1.2 Taxes and Assessments. Lessee agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the State, County, City or any tax or assessment levying body upon any interest in this Lease or any possessory right which Lessee may have in or to the Premises covered hereby or to the Improvements thereon for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and property owned by it in, on or about the Premises. Lessee's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the grant to Lessee of the Option or Lessee's exercise thereof. Lessee shall have the right to contest the amount of any assessment imposed against the Premises or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein are derived from the

Lessee's interest under this Lease and that Lessee's interest requires the payment of a possessory interest tax.

4.2 Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County (a) the Annual Minimum Rent described in subsection 4.2.1 below, (b) the Percentage Rent described in subsection 4.2.2 below, and (c) the Supplemental Percentage Rent described in subsection 4.2.3 below. For purposes of this Lease "Annual Rent" shall mean the aggregate of the Annual Minimum Rent, Percentage Rent and Supplemental Percentage Rent.

4.2.1 Annual Minimum Rent and Monthly Minimum Rent. Lessee shall pay to County the minimum rent described in this subsection 4.2.1 (subject to adjustment pursuant to subsection 4.2.4 and Section 4.3 below) during each Lease Year of the Term (the "Annual Minimum Rent"). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Minimum Rent (the "Monthly Minimum Rent"); provided, however, if any Lease Year is shorter or longer than a calendar year, then the Annual Minimum Rent shall be calculated on a pro rata basis based on the number of days in the applicable period as compared to 365, and Monthly Minimum Rent shall be payable in equal monthly installments of such pro rata Annual Minimum Rent. During each Lease Year (or portion thereof) during the period from the Effective Date through the first forty-two (42) months following the Effective Date, the Annual Minimum Rent shall be Three Hundred Ninety-One Thousand Five Hundred Dollars (\$391,500.00) per annum. During each Lease Year (or portion thereof) during the period from the forty-third (43<sup>rd</sup>) through seventy-second (72<sup>nd</sup>) month after the Effective Date, the Annual Minimum Rent shall be Five Hundred Forty-Eight Thousand One Hundred Dollars (\$548,100.00) per annum. Commencing with the first day of the seventy-third (73<sup>rd</sup>) month after the Effective Date, the Annual Minimum Rent shall be determined in accordance with subsection 4.2.4 below. If the Effective Date occurs on a day other than the first day of a calendar month, then for purposes of calculating the number of months after the Effective Date, the first (1<sup>st</sup>) month shall consist of both the remainder of the partial calendar month during which the Effective Date occurs and the following full calendar month (and the Minimum Rent payable for such period shall be prorated to reflect that such period is longer than one calendar month).

4.2.2 Percentage Rent. For the purposes of this Lease, "Percentage Rent" for any given month or year shall be defined as the sum of the amounts set forth in this subsection 4.2.2, less the Annual Minimum Rent for such month or year. Gross Receipts (as defined herein) from each transaction, sale or activity of Lessee and/or any sublessee shall be reported under one or more of the following percentage categories, as applicable. It is understood that Article 3 of this Lease provides for the Permitted Uses of the Premises and that the percentage categories listed below are not all applicable to this Lease and are in no way intended to expand or modify the Permitted Uses. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel, has interpreted and may further interpret the percentage categories as set forth in this subsection 4.2.2, with such determinations and interpretations to be a guideline in determining the appropriate categories. Within fifteen (15) days after the close of each

and every calendar month of the term hereof, Lessee shall file a report of Gross Receipts and pay to County a sum equal to the total of the following percentages for said previous month, less the amount of the installment of Monthly Minimum Rent paid for said previous month as provided herein:

(a) TWENTY FIVE PERCENT (25%) of Gross Receipts or other fees for the rental or use of boat slips, anchorages, moorings, dockside storage space, and such other facilities and services ancillary thereto as are generally provided in common to tenants thereof, including receipts obtained from persons who live on their boats;

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

(c) TWO PERCENT (2%) of Gross Receipts or other fees charged for the occupancy of apartments and TEN AND ONE-HALF PERCENT (10.5%) of Gross Receipts or other fees charged for (1) the rental or use of meeting rooms, or (2) the rental or use of land and/or water or facilities for activities not otherwise provided for in this section, such as but not limited to television, motion pictures or other media filming purposes;

(c1) TEN PERCENT (10%) of Gross Receipts or other fees charged for the occupancy of (1) offices utilized for banking, financial or investment activities, internal clerical or administrative activities (other than Lessee's management office), business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, yacht club purposes, or similar uses; or (2) restaurants, stores, shops, or other commercial establishments; provided that, except as provided in subsection 4.2.2.5, Gross Receipts or other fees charged for the occupancy of restaurants, stores, shops or other commercial establishments shall not be included in the calculation of Percentage Rent under this subsection (c1) if the Gross Receipts from the operation of such businesses are required to be reported under other subsections of this Section;

(d) Intentionally omitted;

(e) FIVE PERCENT (5%) of commissions or other fees earned from boat brokerage, car rental agencies, marine insurance commissions where the sale of insurance is conducted in conjunction with boat sales and/or boat brokerage, laundry and dry cleaning commissions and other similar activities where earnings are normally on a commission basis when said activity is approved in advance by Director;

(f) With respect to service enterprises, including, without limitation, cable television, internet, satellite, telecommunication or other antennae fees, telephone and other utility services, and valet parking services, FIVE PERCENT (5%) of the Gross Receipts received by Lessee or sublessee from such enterprise if Lessee or a sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or



fees collected by Lessee or a sublessee from such enterprise if a third (3rd) party provider is the operator of such enterprise

(g) SIX PERCENT (6%) of Gross Receipts received by Lessee or sublessee, or TWENTY PERCENT (20%) of any commissions or fees collected from commercial boating activities including, but not limited to, charter boat, bareboat charters and sportfishing boats;

(h) With respect to the installation and/or operation of coin-operated vending or service machines, including pay telephones, FIVE PERCENT (5%) of the Gross Receipts received by Lessee or sublessee from such enterprise if Lessee or a sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee or a sublessee from such enterprise if a third (3rd) party provider is the operator of such enterprise;

(i) TEN PERCENT (10%) of Gross Receipts from the operation of a bar, tavern, cocktail lounge, discotheque, night club or other facilities engaged primarily in the on-premises sale of alcoholic beverages except as provided for in subsection (j);

(j) THREE AND ONE-HALF PERCENT (3½%) of Gross Receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beach and theater food facilities, except that Gross Receipts from facilities established and operated as a take-out food operation shall be reported under subsection (s); a “take-out food operation” shall mean a restaurant or other food operation a majority of the Gross Receipts from which are derived from the sale of food or beverages to be consumed off-site;

(k) Intentionally omitted;

(l) Intentionally omitted;

(m) FIFTEEN PERCENT (15%) of Gross Receipts from club dues, initiation fees, and assessments, except that separate assessments for capital improvements may be exempted; provided that to qualify for such an exemption Lessee must comply with the “Criteria for Eligibility for Exemption of Special Assessments from Gross Receipts” issued by the Director;

(n) Intentionally omitted;

(o) Intentionally omitted;

(p) Intentionally omitted;

(q) FIVE PERCENT (5%) of Gross Receipts of cover charges or other fees charged for admission to facilities featuring entertainment, excluding movie theaters, whose Gross Receipts shall be reportable under subsection (s);

(r) TWENTY PERCENT (20%) of Gross Receipts from parking fees, except that (1) parking fees or charges, if any, which are collected in conjunction with an activity the Gross Receipts from which are required to be reported in a percentage category higher than twenty percent (20%) shall be included in Percentage Rent at such higher percentage; and (2) valet parking charges, fees and tips shall not be included in Percentage Rent under this subsection, but instead shall be included in Percentage Rent under subsection (f) above;

(s) FIVE PERCENT (5%) of Gross Receipts from the sale of miscellaneous goods and services consistent with the Permitted Uses but not specifically provided for elsewhere in this subsection;

(s1) FIVE PERCENT (5%) of the Gross Receipts from the operation of all stores, shops or boutiques selling items at retail; and,

If with the prior approval of County or Director Lessee hereafter engages in a use that is not currently permitted under this Lease and as to which there is no specific percentage set forth above applicable to such additional or related use, then concurrent with the approval by County or Director of such specific additional use, Director and Lessee shall negotiate in good faith with Lessee to establish the specific percentage to be applied to such use. Such percentage shall be the greater of (1) the average percentage received by County with respect to that category of activities within Marina del Rey, California at the time of approval of the additional or related use, and (2) the most recent agreement between County and a Marina del Rey lessee, whether by arbitration or otherwise, with respect to the appropriate percentage to be applied to that use. The percentage rent for the additional or related use as determined pursuant to this paragraph shall remain in effect until the next Renegotiation Date.

4.2.2.1 Other Activities. If Director or Lessee reasonably determine that a percentage of Gross Receipts is not suitable or applicable for a particular activity not described above, although permitted hereunder, Director and Lessee shall mutually establish a minimum monthly payment to County as payment for the privilege of engaging therein, which shall remain effective until the next Renegotiation Date. Said minimum monthly amount shall be reasonable in accordance with the revenue generated by such activity and shall be included in Percentage Rent, as determined hereunder, in lieu of a percentage of Gross Receipts therefor.

4.2.2.2 Accounting Records and Procedures. Lessee agrees to and shall comply with, and shall cause all of its sublessees, licensees, permittees and concessionaires to agree to and comply with, the recordkeeping and accounting procedures, as well as the inspection and audit rights granted to County, set forth in Article 14 of this Lease.

4.2.2.3 Gross Receipts. Except as herein otherwise provided, the term "Gross Receipts" as used in this Lease means all money, cash receipts, or other things of value, including but not limited to gross charges, sales, rentals,

common area maintenance payments, operating expense reimbursements, fees and commissions made or earned by Lessee and/or all its assignees, Sublessees, licensees, permittees or concessionaires, from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale of goods, wares or merchandise, calculated in accordance with the accounting method described in the last sentence of Section 14.1.

(1) Except as otherwise set forth herein, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, without limitation, salaries, wages, costs of goods, interest, debt amortization, rent credit (but the value of any free rent period shall not be imputed as Gross Receipts), collection costs, discounts from credit card operations, insurance and taxes.

(2) Gross Receipts shall not include direct taxes imposed upon the consumer and collected therefrom by Lessee such as, without limitation, retail sales taxes, excise taxes, or related direct taxes paid periodically by Lessee to a governmental agency accompanied by a tax return statement.

(3) Gross Receipts reported by Lessee and its Sublessees, assignees, licensees, Lessees and permittees must include the usual charges for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees. Bona fide bad debts actually accrued by Lessee for amounts owed by subtenants, assignees, licensees concessionaires or permittees may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

(4) Gross Receipts shall not include any of the following items:

a. goods returned to suppliers or which are delivered for resale (as opposed to delivery) to another retail location or to a warehouse or to any retailers without profit to Lessee, where such returns or deliveries are made solely for the convenient operation of the business of Lessee or sublessee and not for the purpose of consummating a sale made in, about or from the Premises;

b. an amount equal to the cash refunded or credit allowed on merchandise returned by customers and accepted by Lessee, or the amount of cash refunded or credit allowed thereon in lieu of Lessee's acceptance thereof, but only to the extent that the sales relating to such

merchandise were made in, about or from the Premises; provided that whenever Lessee accepts a credit slip as payment for goods or services, the amount of credit shall be included in Gross Receipts;

c. sales of fixtures, equipment or property which are not Lessee's stock in trade;

d. receipts from insurance claims other than rental interruption or business interruption insurance related to the replacement of Gross Receipts;

e. interest earned by Lessee on funds arising from the Premises or the use thereof, deposited or maintained by Lessee in banks or similar financial institutions;

f. the Cost of Lessee's subtenants' submetered electricity, provided (1) each subtenant's obligation to reimburse Lessee for such subtenant's electrical charges is separate and apart from such tenant's obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the subtenant's electricity; and, (3) the receipt is actually credited against the cost of the subtenant's electricity. For the purpose of the foregoing sentence, the "Cost" of the subtenant's electricity shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility's electric bill that is allocable to the subtenant based on such subtenant's submetered consumption of electricity, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced. County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease. The terms and provisions of this paragraph f shall also be applicable to other submetered utility charges to the extent that it is customary for subtenants to be responsible for such other utility charges.

g. amounts received for services rendered by a Sublessee of an individual apartment unit (or by a live-aboard) in connection with the operation by such Sublessee (or live-aboard) of an in-home business in such apartment unit (or the boat of such live-aboard), as long as the primary purpose of Sublessee's use of the apartment unit (or boat) is for residential occupancy and such in-home business is an incident to such residential use.

4.2.2.4 Excess Payments Credit. If rent payments actually made by Lessee in a particular Lease Year exceed the total rentals actually due for that year as computed on an annual basis at the end of each Lease Year, Lessee shall be permitted to credit that excess amount ("Excess Percentage Rent

Payment”) against the succeeding monthly installments of Percentage Rent otherwise due under this subsection 4.2.2 until such time as the entire Excess Percentage Rent Payment has been recouped. If Lessee makes an Excess Percentage Rent Payment in the final Lease Year of the Term, County shall refund such amount to Lessee within thirty (30) days of its discovery and verification of such overpayment.

4.2.2.5 Effect of Sublessee, etc. Doing Business. Except as specifically provided to the contrary in this Lease, where a sublessee, licensee, or permittee is conducting a business or engaged in any use or occupation or any combination thereof on Lessee’s leasehold except for those uses or occupations delineated under Item (1) of subsection (c1) of subsection 4.2.2, Lessee shall report whichever of the following results in the greater percentage rental: (1) the Gross Receipts of each sublessee under one or more of the appropriate subsections of this Section; or (2) Lessee’s receipts from each sublessee under subsection (c) or (c1) of this Section.

4.2.2.6 Interest; Etc. Interest, service or late charges collected in conjunction with a transaction, sale or activity of Lessee or Sublessee shall be reported in the same percentage category as the transaction, sale or activity is reported.

4.2.2.7 Percentage Rent Does Not Affect Permitted Uses. It is understood and acknowledged by Lessee that Section 3.1 of this Lease sets forth the Permitted Uses of the Premises by Lessee; thus, the Percentage Rent categories listed in subsection 4.2.2 are not all necessarily applicable to this Lease and are in no way intended to expand the Permitted Uses.

4.2.2.8 Policy Statements. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel may further interpret the definition of gross receipts, with such interpretations to be a guideline in implementing the foregoing subsections of this Lease.

4.2.3 Supplemental Percentage Rent. In addition to Annual Minimum Rent and Percentage Rent, commencing with the Lease Year in which the Completion Date occurs and with respect to Apartment Gross Receipts for the month following the month in which the Completion Date occurs, Lessee shall pay Supplemental Percentage Rent, as defined and calculated in accordance with the terms and provisions of this subsection 4.2.3.

4.2.3.1 Definitions. For purposes hereof, the following terms shall be defined as set forth below:

“Apartment Gross Receipts” means Gross Receipts for the occupancy of apartments under category (c) of subsection 4.2.2 (i.e., those Gross Receipts on which Percentage Rent is calculated at the rate of 2%).

“Apartment Percentage Rent” means Percentage Rent paid by Lessee pursuant to subsection 4.2.2 with respect to Apartment Gross Receipts (i.e., 2% of Apartment Gross Receipts).

“Cumulative Apartment Gross Receipts” as of the end of a particular Lease Year means the aggregate of Apartment Gross Receipts for such Lease Year, and all Lease Years preceding such Lease Year after the Effective Date of this Lease commencing with the month following the month in which the Completion Date occurs (referred to herein and on Exhibit G as “Month 1”).

“Cumulative Apartment Gross Receipts Threshold” for a particular Lease Year means the aggregate of the Apartments Gross Receipts Thresholds set forth on Exhibit G commencing with Month 1 and continuing through the month of December for such Lease Year.

“Cumulative Apartment Percentage Rent” as of the end of a particular Lease Year means the aggregate of Apartment Percentage Rent paid by Lessee for such Lease Year and all Lease Years preceding such Lease Year, from and after the Apartment Percentage Rent paid for Month 1.

“Cumulative Supplemental Percentage Rent” as of the end of a particular Lease Year means the aggregate of Supplemental Percentage Rent paid by Lessee for such Lease Year and all Lease Years preceding such Lease Year, from and after Month 1.

4.2.3.2 Calculation of Supplemental Percentage Rent. For each Lease Year commencing with the Lease Year in which the Completion Date occurs and continuing during the remaining Term of the Lease, Lessee shall pay additional rent (“Supplemental Percentage Rent”) equal to (a) fifty percent (50%) of the amount (if any) by which the Cumulative Apartment Gross Receipts as of such Lease Year exceeds the Cumulative Apartments Gross Receipts Threshold for such Lease Year, minus (b) the aggregate amount of all Supplemental Percentage Rent paid by Lessee for Lease Years preceding such Lease Year. No Supplemental Percentage Rent shall be payable for a Lease Year unless the foregoing calculation results in a positive amount. In addition, the Supplemental Percentage Rent payable for any Lease Year shall not exceed an amount which causes the aggregate of the Cumulative Apartment Percentage Rent and Cumulative Supplemental Percentage Rent as of such Lease Year to equal ten and one-half percent (10.5%) of Cumulative Apartment Gross Receipts.

4.2.3.3 Payment of Supplemental Percentage Rent. Supplemental Percentage Rent shall be paid in arrears on an annual basis with respect to each Lease Year commencing with the Lease Year in which the Completion Date occurs and continuing during the remaining Term of the Lease. On or before January 15 following each such Lease Year, Lessee shall deliver to the Director a statement of Apartment Gross Receipts for the immediately preceding Lease Year and the calculation of the amount of Supplemental Percentage Rent payable for

such immediately preceding Lease Year. Such statement of Supplemental Percentage Rent shall be in such form and detail as reasonably required by Director. Lessee shall accompany each annual statement of Supplemental Percentage Rent with payment to County of the amount of Supplemental Percentage Rent payable for such immediately preceding Lease Year. Supplemental Percentage Rent is payable in addition to Annual Minimum Rent and Percentage Rent. For purposes of clarification, (a) Lessee shall not be entitled to a credit against, or a reduction of, Annual Minimum Rent or Percentage Rent for any previous, then-current or subsequent Lease Year as to which Apartment Gross Receipts are not of a sufficient amount to generate the required payment of Supplemental Percentage Rent for such Lease Year; and (b) County shall not be required to return any previous payment of Supplemental Percentage Rent to Lessee regardless of the level of Apartment Gross Receipts or Cumulative Apartment Gross Receipts in any subsequent Lease Year.

4.2.4 Adjustments to Annual Minimum Rent. As of each of (a) the first day of the seventy-third (73<sup>rd</sup>) month after the Effective Date, (b) the first January 1 following the last day of the one hundred eighth (108<sup>th</sup>) month after the Effective Date, and (c) every third (3<sup>rd</sup>) consecutive anniversary after such January 1 date, until the first Renegotiation Date (as defined in Section 4.3 below), and thereafter each third (3<sup>rd</sup>), sixth (6<sup>th</sup>) and ninth (9<sup>th</sup>) anniversary of each Renegotiation Date (each an “Adjustment Date” and collectively the “Adjustment Dates”), the Annual Minimum Rent shall be adjusted as provided in this subsection 4.2.4. As of each Adjustment Date, the Annual Minimum Rent shall be adjusted to the amount that equals seventy-five percent (75%) of the average total of the following Annual Rent amounts that were payable by Lessee to County for each year of the three (3) year period immediately preceding such Adjustment Date: (i) 100% of Annual Minimum Rent, (ii) 100% of Percentage Rent (in excess of Annual Minimum Rent), and (iii) 25% of Supplemental Percentage Rent. Notwithstanding any contrary term or provision of this subsection 4.2.4, the Annual Minimum Rent shall never be reduced on an Adjustment Date to an amount less than the amount of the Annual Minimum Rent in effect immediately prior to such Adjustment Date.

4.3 Renegotiation of Annual Minimum and Percentage Rents. Effective on the twentieth (20<sup>th</sup>) anniversary of the Effective Date, and each tenth (10<sup>th</sup>) anniversary thereafter (each a “Renegotiation Date” and collectively, the “Renegotiation Dates”), the Annual Minimum Rent and Percentage Rent shall be readjusted to the Fair Market Rental Value (as defined below) of the Premises.

4.3.1 Fair Market Rental Value. As used herein, “Fair Market Rental Value” shall mean, as of each Renegotiation Date, the fair market rent (including an annual minimum rent), expressed as respective percentages of Gross Receipts in accordance with the categories enumerated in subsection 4.2.2, which the Premises would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and

the respective tenant are dealing at arms length and neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings. Notwithstanding any contrary provision of this Lease, in no event shall (i) the percentage of Gross Receipts applicable under category (a) of subsection 4.2.2 (i.e., 25%), (ii) the percentage of Gross Receipts applicable to the occupancy of apartments under category (c) of subsection 4.2.2 (i.e., 2%), nor (iii) the terms and provisions of subsection 4.2.3 with respect to the payment of Supplemental Percentage Rent, be modified as of any Renegotiation Date and such restriction upon modification of the items in clauses (i) through (iii) of this sentence shall have no effect on the determination of the Fair Market Rental Value percentages for the payment of Percentage Rent with respect to the other categories of Gross Receipts set forth in subsection 4.2.2, each of which shall be determined on a separate, unrelated basis. In addition, notwithstanding any contrary provision of this Lease, in connection with the readjustment of Annual Minimum Rent as of a Renegotiation Date pursuant to this subsection 4.3.1, in no event shall the Annual Minimum Rent ever be reduced to an amount less than the Annual Minimum Rent in effect immediately prior to such Renegotiation Date.

4.3.2 Renegotiation Period. Not more than one (1) year nor less than nine (9) months prior to the Renegotiation Date, Lessee shall deliver to County written notice setting forth Lessee's determination of the Fair Market Rental Value of the Premises with respect to those components of Annual Rent that are subject to potential adjustment. Lessee's notice shall include a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as Lessee deems relevant or as may be reasonably requested by County. Within one hundred twenty (120) days after receipt of Lessee's notice, if County disagrees with Lessee's determination, County shall deliver to Lessee written notice of such disagreement, together with County's determination of Fair Market Rental Value and a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as County deems relevant or as may be reasonably requested by Lessee, to the extent available to County. If County fails to deliver to Lessee notice of its disagreement within the aforementioned period and such failure continues for fifteen (15) days after receipt of written notice from Lessee, then Lessee's determination of Fair Market Rental Value shall be binding on County as of the Renegotiation Date; provided, however, that Lessee's notice to County shall conspicuously state in bold faced type that such determination of Fair Market Rental Value shall be binding on County unless County delivers notice of its disagreement within such fifteen (15) day period.

If Lessee fails to deliver the notice described in the first sentence of this subsection, setting forth Lessee's determination of Fair Market Rental Value, and such failure continues for fifteen (15) days after receipt of written notice from County, then County shall submit its determination of Fair Market Rental Value to Lessee, and Lessee shall have fifteen (15) days after the submittal by County to Lessee of County's determination of Fair Market Rental Value to deliver to County written notice of Lessee's agreement or



disagreement with County's determination. If Lessee fails to deliver notice of such disagreement within such fifteen (15) day period and County's notice to Lessee conspicuously stated in bold faced type that such determination of Fair Market Rental Value shall be binding on Lessee unless Lessee delivers notice of its disagreement within such fifteen (15) day period, then County's determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.

4.3.3 Negotiation of Fair Market Rental Value. If County (or Lessee, as the case may be) does so notify Lessee (or County, as the case may be) of its disagreement as provided in subsection 4.3.2, County and Lessee shall have sixty (60) days from the end of the applicable response period in which to agree upon the Fair Market Rental Value for those components of the Annual Rent that are subject to potential adjustment. County and Lessee shall negotiate in good faith during said sixty (60) day period. If the parties do so agree, they shall promptly execute an amendment to this Lease setting forth the Fair Market Rental Value so jointly determined, to be effective upon the Renegotiation Date. Director shall be authorized to execute any such amendment on behalf of County. During the period of negotiation, Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to the obligation to continue to pay to County Annual Minimum Rent and Percentage Rent at the then-existing levels.

4.3.4 Arbitration. If County and Lessee fail to reach agreement during the sixty (60) day period set forth in subsection 4.3.3, then, unless the parties agree otherwise, the Fair Market Rental Value for the components of Annual Rent that are subject to potential adjustment shall be determined by arbitration as set forth in Article 16 of this Lease and the parties shall execute an amendment to this Lease setting forth the Fair Market Rental Value as determined by arbitration. In order to determine Fair Market Rental Value, the arbitrator shall take into consideration all of the terms, conditions and covenants of this Lease, the earning power and all of the factors and data relating to such value required or proper to be considered in determining the fair rental value of leaseholds under the laws of eminent domain in the State of California. During the period of arbitration, County and Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to Lessee's obligation to pay to County Annual Minimum Rent and Percentage Rent at then-existing levels.

4.3.5 Retroactivity. In the event that, pursuant to subsections 4.3.3 or 4.3.4 hereof, the parties execute an amendment to this Lease setting forth adjustments to Annual Minimum Rent or Percentage Rent categories that are subject to Fair Market Rental Value adjustment, such amendment, if executed prior to the Renegotiation Date, shall be effective as of the Renegotiation Date; if executed after the Renegotiation Date, such amendment shall be retroactive to the Renegotiation Date. In the event that such amendment is executed after the Renegotiation Date, then, within thirty (30) days after such execution, Lessee shall pay to County, or County shall at its election pay or credit to Lessee, the difference, if any, between (a) the amounts payable based on such Fair Market Rental Value determination and (b) the actual amounts paid by Lessee to County, for the period of time from the Renegotiation Date until the date of such payment. Lessee (with respect to overpayments) or County (with respect to underpayments) shall further be entitled to interest on each portion of such payment from each date on which

the applicable rental payments were payable under this Lease to the date paid or credited, whichever is applicable, at the following rates:

(1) the interest rate applicable to the first six (6) months following the Renegotiation Date shall be equal to the average daily rate for the non-restricted funds held and invested by the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller ("County Pool Rate"); and,

(2) the interest rate applicable to any period of time in excess of six (6) months following the Renegotiation Date shall be the Prime Rate of interest in effect from time to time during the period from the date that is six (6) months after the Renegotiation Date until the date of payment.

4.4 Payment. Monthly Minimum Rent shall be paid by Lessee in advance. Payments of Minimum Monthly Rent shall be received by County on or before the first day of each calendar month of the Term. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in subsection 4.2.2.4. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand.

4.5 Late Fee. In the event any payment under this Lease is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee ("Late Fee") of six percent (6%) of the unpaid amount shall be added to any amount unpaid when due and payable; provided that the Late Fee shall be waived with respect to the first occurrence during any Lease Year of a late payment if such payment is received by County within one (1) business day following written notice from County that the unpaid amount was not paid by the date due. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as

provided herein (as opposed to the date when such deficiencies are identified by County); provided, however, with respect to any obligation of an Encumbrance Holder in connection with the exercise of its cure rights under Article 12 below, interest accrual on any particular obligation for periods prior to the Encumbrance Holder's acquisition of leasehold title to the Premises shall be limited to a maximum of three (3) years. Changes of Ownership and Financing Events.

Except as otherwise provided in this Section 4.6, each time Lessee proposes either (a) a Change of Ownership (that is not an Excluded Transfer) or (b) a Financing Event, County shall be paid (1) an Administrative Charge equal to the Actual Cost incurred by County in connection with its review and processing of said Change of Ownership or Financing Event ("Administrative Charge") and (2) a Net Proceeds Share, in the event County approves such proposed Change of Ownership or Financing Event and such transaction is consummated. "Net Proceeds Share" shall mean the applicable amount determined pursuant to Section 4.8 of this Lease. Changes of Ownership and Financing Events are further subject to County approval as provided in Articles 12 and 13 of this Lease.

4.6.1 Change of Ownership. "Change of Ownership" shall mean (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease, (b) the execution by Lessee of a Major Sublease or the transfer by the Major Sublessee under a Major Sublease of a five percent (5%) or greater direct ownership interest in such Major Sublease, (c) any transaction or series of related transactions not described in subsections 4.6.1(a) or (b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial residual interests in Lessee or a Major Sublessee, or (d) a Change of Control (as defined below) of Lessee or a Major Sublessee.

For the purposes of this Lease, "Change of Control" shall refer to a transaction whereby the transferee acquires a beneficial residual interest in Lessee or a Major Sublessee which brings its cumulative beneficial residual interest in Lessee or a Major Sublessee, as appropriate, to over fifty percent (50%).

4.6.2 Excluded Transfers. Notwithstanding anything to the contrary contained in this Lease, Changes of Ownership resulting from the following transfers ("Excluded Transfers") shall not be deemed to create an obligation to pay County a Net Proceeds Share or any Administrative Charge:

4.6.2.1 a transfer by any direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to any other direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of such most recent previous approved Change of Ownership), including in each case to or from a trust for the benefit of the immediate family (as defined in Subsection 4.6.2.3 below) of any direct or indirect partner, shareholder or member of Lessee who is an individual;

4.6.2.2 a transfer to a spouse (or to a domestic partner if domestic partners are afforded property rights under then-existing Applicable Laws) in connection with a property settlement agreement or decree of dissolution of marriage or legal separation, as long as such transfer does not result in a Change of Control of Lessee or a change in the managing member or general partner of Lessee;

4.6.2.3 a transfer of ownership interests in Lessee or in constituent entities of Lessee (i) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), (ii) to a trust for the benefit of a member of the immediate family of the transferor, (iii) from such a trust or any trust that is an owner in a constituent entity of Lessee as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this Subsection 4.6.2.3 is the result of gift, devise, intestate succession or operation of law, or (iv) in connection with a pledge by any partners of a constituent entity of Lessee to an affiliate of such partner;

4.6.2.4 a transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock (or securities) is (are) traded publicly on a national stock exchange or traded in the over-the-counter market and whose price is regularly quoted in recognized national quotation services;

4.6.2.5 a mere change in the form, method or status of ownership, as long as there is no change in the actual beneficial ownership of this Lease, Lessee or a Major Sublease, and such transfer does not involve an intent to avoid Lessee's obligations under this Lease with respect to a Change of Ownership;

4.6.2.6 any transfer resulting from a Condemnation by County;

4.6.2.7 any assignment of the Lease by Lessee to a parent, subsidiary or affiliate of Lessee in which there is no change to the direct and indirect beneficial ownership of the leasehold interest

4.6.2.8 provided that the Exemption Requirements (as defined below) are satisfied immediately prior to and following any transfer described herein, the transfer in the ordinary course of business of any beneficial interests in the Prudential Fund (as defined below);

4.6.2.9 transfers of any direct or indirect beneficial interests in Prudential (as defined below); or

4.6.2.10 provided that the Exemption Requirements are satisfied immediately before and after the transfer, the transfer of the Prudential Fund's direct or indirect interest in Lessee from one Prudential Fund to another Prudential Fund or in connection with a reorganization or restructuring of such Prudential Fund.

For purposes of Subsections 4.6.2.8 through 4.6.2.10 above and Subsection 4.8.8 below, the following terms shall have the following meanings:

“Control” and its derivative terms such as “Controlling” or “Controlled” shall mean the direct or indirect power to direct the management, policies and/or decision making of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

“Exemption Requirements” means the satisfaction of all of the following: (a) Prudential continues to Control the Prudential Fund, (b) the beneficial interests of the Prudential Fund in Lessee constitute less than ten percent (10%) of the total assets held by such Prudential Fund (in terms of market value), and (c) no single person or entity (or group of affiliated persons or entities) holds more than fifteen percent (15%) of the total beneficial interests in the Prudential Fund.

“PRISA” means the investment fund managed by PGIM Real Estate and known as “PRISA”.

“Prudential” means Prudential Financial, Inc., a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PFI”) and/or The Prudential Insurance Company of America, a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PICA”) and/or PGIM, Inc., a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PGIM”);

“Prudential Fund” means PRISA and/or any other real estate investment fund or separate account that is managed or advised by Prudential.

4.6.3 Aggregate Transfer. “Aggregate Transfer” shall refer to the total percentage of the shares of stock, partnership interests, membership interests or any other equity interests (which constitute beneficial residual interests in Lessee or a Major Sublessee, as appropriate) transferred or assigned in one transaction or a series of related transactions (other than those enumerated in subsection 4.6.2) occurring since the later of (a) the Effective Date, (b) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County; provided, however, that there shall be no double counting of successive transfers of the same interest in the case of a transaction or series of related transactions involving successive transfers of the same interest. Isolated and unrelated transfers shall not be treated as a series of related transactions for purposes of the definition of Aggregate Transfer.

4.6.4 Beneficial Residual Interest. As used in this Lease, “beneficial residual interest” shall refer to the ultimate direct or indirect ownership interests in Lessee (or a Major Sublessee, as applicable), regardless of the form of ownership and regardless of whether such interests are owned directly or through one or more layers of constituent partnerships, corporations, limited liability companies or trusts.

4.6.4.1 Interests Held By Entities. Except as otherwise provided herein, an interest in Lessee, this Lease or a Major Sublease held or owned by a partnership, limited liability company, corporation or other entity shall be treated as owned by the partners, members, shareholders or other equity holders of such entity in proportion to their respective equity interests, determined by reference to the relative values of the interests of all partners, members, shareholders or other equity holders in such entity. Where more than one layer of entities exists between Lessee or a Major Sublessee, as appropriate, and the ultimate owners, then the foregoing sentence shall be applied successively to each such entity in order to determine the ownership of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, and any transfers thereof.

4.6.4.2 Ownership of Multiple Assets. The proceeds of any event constituting or giving rise to a Change of Ownership shall be apportioned to this Lease or a Major Sublease, whichever is appropriate, and to any other assets transferred in the same transaction in proportion to the relative fair market values of the respective assets transferred. The Net Proceeds Share shall be calculated only by reference to the amount of such proceeds apportioned to this Lease, a Major Sublease or the beneficial interests therein, whichever is appropriate.

4.7 Calculation and Payment. A deposit of Fifteen Thousand and 00/100 Dollars (\$15,000) toward the Administrative Charge shall be due and payable upon Lessee’s notification to County of the proposed Change of Ownership (that is not an Excluded Transfer) or Financing Event and request for County’s approval thereof. If the transaction is approved, the balance of the Administrative Charge, if any, and the Net Proceeds Share shall be due and payable concurrently with the consummation of the transaction constituting the Change of Ownership or Financing Event giving rise to the obligation to pay such fee, regardless of whether or not money is transferred by the parties in connection with such consummation. If County disapproves the proposed transaction then, within thirty (30) days after notice of its disapproval, County shall deliver to Lessee a written notice setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge), together with a refund of the amount, if any, of the deposit in excess of the Administrative Charge otherwise allowable under Section 4.6. In the event that the Administrative Charge exceeds the deposit, then Lessee shall pay County the balance of the Administrative Charge otherwise allowable under Section 4.6 within thirty (30) days after receipt of the notice from County setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice. Together with its request for County approval of the proposed transaction, Lessee, a Major Sublessee or the holder of a

beneficial interest in this Lease or a Major Sublease, whichever is appropriate, shall present to County its calculation of the Net Proceeds Share (if any) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs, if any, which may result from the payment of such Net Proceeds Share ("Calculation Notice"). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County's agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. Failure of County to approve the Calculation Notice in writing within such thirty (30) day period shall be deemed to constitute County's disapproval thereof. Failing mutual agreement within thirty (30) days after the expiration of said thirty (30) day period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs, then the transaction may be consummated after County has disapproved Lessee's Calculation Notice; provided, however, that (i) Lessee shall remit to County as otherwise required hereunder the undisputed portion of the Net Proceeds Share and (ii) Lessee shall deposit the disputed portion of the Net Proceeds Share into an interest bearing escrow account at the closing of the transaction (or deliver to County a letter of credit or other security reasonably acceptable to County in the amount of the disputed portion), which disputed portion shall be distributed in accordance with the arbitration of the dispute pursuant to Article 16 of this Lease, in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value.

4.7.1 Transfer of Less Than Entire Interest. Where a Change of Ownership has occurred by reason of the transfer of less than all of an owner's beneficial interest in Lessee, this Lease or a Major Sublease, the Net Proceeds Share shall be due and payable with respect to those portions of such beneficial interest that have been acquired by the transferee since the latest of (a) the Effective Date, (b) the most recent event creating Lessee's obligation to pay a Net Proceeds Share (including without limitation an approval by County of a transfer at a price which falls below the threshold for paying a Net Proceeds Share) with respect to this Lease (or a Major Sublease), or (c) the date which is twelve (12) months prior to the transfer which constitutes the Change of Ownership.

4.7.2 Purchase Money Notes. If the transferor of an interest accepts a note made by the transferee of such interest in payment of all or a portion of the acquisition cost (a "Purchase Money Note"), such note shall be valued at its face amount; provided that if the interest rate on such Purchase Money Note is in excess of a market rate, then the value of such note shall be increased to reflect such above-market rate. Any disputes between County and Lessee as to whether the interest rate on a Purchase Money Note is in excess of a market rate or with respect to the valuation of a Purchase Money Note with an above-market rate of interest, shall be settled by arbitration pursuant to Article 16 below.

#### 4.7.3 Obligation to Pay Net Proceeds Share and Administrative Charge.

With respect to a Change of Ownership giving rise to the Administrative Charge and Net Proceeds Share, the obligation to pay the Administrative Charge and Net Proceeds Share shall be the joint and several obligation of the transferor and transferee. In the event that the Administrative Charge or Net Proceeds Share is not paid when due with respect to the beneficial interest in this Lease, then County shall have the remedies set forth in Section 13.3 hereof; provided, however, in the case of a transfer of an interest in Lessee (as opposed to a transfer by Lessee of an interest in the Lease or the Premises) in which the transferor and transferee fail to pay the Administrative Charge and/or Net Proceeds Share due hereunder, as long as Lessee uses its best efforts to cause the payment of the required Administrative Charge and Net Proceeds Share to be made, County shall, for a period of up to three (3) years following the Change of Ownership, forbear from exercising any right to terminate the Lease as a result thereof; provided further that at the end of such three (3) year period County shall no longer have any obligation to forbear from terminating the Lease if the Administrative Charge and Net Proceeds Share, plus interest as described below, has not been paid in full. An Administrative Charge and Net Proceeds Share not paid when due hereunder shall bear interest at the Prime Rate plus three percent (3%). For purposes of determining whether County is required to forbear from terminating the Lease as described above, Lessee's obligation to use its best efforts to cause the payment of the unpaid Administrative Charge and/or Net Proceeds Share shall include the obligation at Lessee's expense, to institute a legal action against the transferor and transferee within ninety (90) days following the date of the transfer and to diligently prosecute such legal action to completion.

4.8 Net Proceeds Share. If the first Change of Ownership that occurs that is not an Excluded Transfer is a Change of Ownership that results in no AIG Entity retaining any beneficial residual interest in this Lease or the then-existing Lessee immediately following such Change of Ownership (an "AIG Termination Transaction"), then no Net Proceeds Share shall be paid on such Change of Ownership. With respect to the first Change of Ownership after the Effective Date that is not an Excluded Transfer, but excluding an AIG Termination Transaction that is the first Change of Ownership after the Effective Date (the "First Non-Exempt Change of Ownership"), the Net Proceeds Share shall be the amount by which the greater of the following exceeds the Administrative Charge paid by Lessee to County in connection with such Change of Ownership: (a) the lesser of (i) the Net Transfer Proceeds from such Change of Ownership, or (ii) two percent (2%) of the Gross Transfer Proceeds from such Change of Ownership; or (b) ten percent (10%) of the Net Transfer Proceeds from such Change of Ownership. With respect to each subsequent Change of Ownership after the First Non-Exempt Change of Ownership that is not an Excluded Transfer, the Net Proceeds Share shall be the amount by which the greater of the following exceeds the Administrative Charge paid by Lessee to County in connection with such Change of Ownership: (a) the lesser of (i) the Net Transfer Proceeds from such Change of Ownership, or (ii) five percent (5%) of the Gross Transfer Proceeds from such Change of Ownership; or (b) twenty percent (20%) of the Net Transfer Proceeds from such Change of Ownership. [DRAFTING NOTES: (A) IF AN AIG TERMINATION TRANSACTION OCCURS PRIOR TO THE EFFECTIVE DATE OF THE LEASE, THEN THIS SECTION 4.8 (AND ANY OTHER RELATED PROVISIONS IN THE LEASE) SHALL BE REVISED TO ELIMINATE THE REFERENCES TO AN AIG TERMINATION TRANSACTION AND FOR PURPOSES OF THIS SECTION 4.8 THE FIRST CHANGE OF OWNERSHIP THAT



OCCURS AFTER THE EFFECTIVE DATE THAT IS NOT AN EXCLUDED TRANSFER SHALL CONSTITUTE THE FIRST NON-EXEMPT CHANGE OF OWNERSHIP UNDER THIS SECTION 4.8; AND (B) IF A CHANGE IN OWNERSHIP THAT IS NOT AN EXCLUDED TRANSFER AND THAT IS NOT AN AIG TERMINATION TRANSACTION OCCURS PRIOR TO THE EFFECTIVE DATE OF THE LEASE, THEN THIS SECTION 4.8 (AND ANY OTHER RELATED PROVISIONS IN THE LEASE) SHALL BE REVISED TO ELIMINATE THE REFERENCES TO AN AIG TERMINATION TRANSACTION AND TO REFLECT THAT THE FIRST CHANGE OF OWNERSHIP AFTER THE EFFECTIVE DATE THAT IS NOT AN EXCLUDED TRANSFER SHALL BE TREATED IN THE SAME MANNER AS A CHANGE OF OWNERSHIP THAT OCCURS AFTER THE FIRST NON-EXEMPT CHANGE OF OWNERSHIP.]

With respect to each Financing Event, the Net Proceeds Share (if any) shall be the amount by which (I) twenty percent (20%) of the Net Refinancing Proceeds from such Financing Event exceeds (II) the Administrative Charge paid by Lessee to County in connection with the transaction. Notwithstanding the foregoing, in connection with any Financing Event used to fund the acquisition cost of an Excluded Transfer, if such Financing Event is secured by the leasehold or ownership interest that is transferred in such Excluded Transfer, then the Net Refinancing Proceeds from such Financing Event shall not include the portion of the proceeds of such Financing Event used to fund the acquisition cost of such leasehold or ownership interest.

For purposes hereof, "Gross Transfer Proceeds" shall mean an amount equal to the gross sale or transfer proceeds and other consideration given for the interests transferred (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred; if Lessee and County are unable to agree upon such fair value, then the matter shall be determined pursuant to Article 16).

4.8.1 Transaction by Original Lessee. In the case of a transfer by Lessee (but not a transfer by a successor or assignee of Lessee) constituting a Change of Ownership for which a Net Proceeds Share is payable, "Net Transfer Proceeds" shall mean the Gross Transfer Proceeds from the transfer, less the following costs with respect to Lessee (but not its successors or assignees):

4.8.1.1 The sum of (a) the purchase price paid by Lessee for the acquisition from Neptune Marina in June, 2004 of the leasehold interest in the Premises under the Existing Lease, plus (b) the amount of the total Extension Fee that has been paid by Lessee as of the date of the Change of Ownership, plus (c) actual out-of-pocket costs incurred by Lessee for its third party consultants and attorneys and Actual Costs reimbursed to County in connection with the negotiation and consummation of the Option Agreement and this Lease (the sum of the amounts in (a), (b) and (c) are referred to as the "Base Value"), [DRAFTING NOTE: IF AN AIG TERMINATION TRANSACTION OR ANOTHER CHANGE OF OWNERSHIP THAT IS NOT AN EXCLUDED TRANSFER OCCURS PRIOR TO THE EFFECTIVE DATE, THEN THE BASE VALUE SHALL BE CHANGED TO THE PURCHASE

PRICE PAID BY THE LESSEE THAT EXECUTES THIS LEASE PLUS THE AMOUNTS PAID UNDER CLAUSES (b) and (c) AFTER SUCH AIG TERMINATION TRANSACTION OR OTHER CHANGE OF OWNERSHIP.] plus (d) the final actual construction costs paid by Lessee in connection with the construction of the Redevelopment Work, the Anchorage Facilities replacement work described in Section 5.2, and other capital renovations to the Premises, or other physical capital Improvements or Alterations to the Premises (including future capital redevelopment and rehabilitation work, but not periodic maintenance and repair) constructed by Lessee in compliance with Article 5 of this Lease (including in each case all hard and soft costs, construction period interest on Lessee's construction loan, and developer fees incurred by Lessee, as long as such developer fees do not exceed four percent (4%) of hard construction costs), which costs have been submitted to County within ninety (90) days after the completion of such Improvements (or in the case of phased construction, within ninety (90) days after the completion of the applicable phase), together with a written certification from Lessee and Lessee's construction lender, if any, to the effect that such costs are accurate (the amounts described in this clause (c) are referred to as "Improvement Costs"). Notwithstanding the foregoing, with respect to Improvements or Alterations which are not part of the Redevelopment Work, Lessee shall submit the cost of such Improvements on an annual basis within ninety (90) days following the end of each fiscal year. If by the date that is ninety (90) days after the completion of the Redevelopment Work (or other Improvements) the final amount of the Improvement Costs is not established because of a dispute or disputes between Lessee and its contractor(s), then Lessee shall note such dispute(s) in its submission of the Improvement Costs (including a description of the costs and the amounts under dispute). Lessee shall thereafter notify County in writing within thirty (30) days after the resolution of any such dispute as to any final adjustment required to the amount of the Improvement Costs to reflect the resolution of such dispute.

[DRAFTING NOTE: DEPENDING ON WHETHER THE AIG TERMINATION EVENT HAS OCCURRED AS OF THE EFFECTIVE DATE, THIS SECTION 4.8.1.1 (OR SECTION 4.8.2.1 IF THE AIG TERMINATION EVENT HAS NOT OCCURRED AS OF THE EFFECTIVE DATE) SHALL BE REVISED PRIOR TO LEASE EXECUTION TO PROVIDE THAT THE BASE VALUE AND IMPROVEMENT COSTS FOR THE FIRST SUCCESSOR LESSEE RESULTING FROM THE AIG TERMINATION TRANSACTION SHALL ACCRUE A 9% PERCENT CUMULATIVE ANNUAL RETURN (COMPOUNDED ANNUALLY) FROM (A) THE EFFECTIVE DATE (OR SUCH LATER DATE AS THE AIG TERMINATION TRANSACTION OCCURS) WITH RESPECT TO THE PURCHASE PRICE PAID BY SUCH SUCCESSOR LESSEE AND FROM THE DATE THAT IMPROVEMENT COSTS OR OTHER BASE VALUE COSTS ARE INCURRED WITH RESPECT TO IMPROVEMENT COSTS OR OTHER BASE VALUE COSTS INCURRED AFTER THE DATE OF THE AIG TERMINATION

TRANSACTION, UNTIL (B) THE FIRST DATE THAT 93% OF THE APARTMENT UNITS ARE LEASED AND THE OBLIGATION TO PAY RENT HAS COMMENCED WITH RESPECT TO SUCH APARTMENT UNITS (THE “LESSEE RETURN”). IN ACKNOWLEDGMENT OF THE LESSEE RETURN, IMPROVEMENT COSTS SHALL NOT INCLUDE CONSTRUCTION PERIOD INTEREST FOR SUCH FIRST SUCCESSOR LESSEE AFTER THE AIG TERMINATION TRANSACTION. THE FOREGOING LESSEE RETURN SHALL APPLY TO THE CALCULATION OF NET PROCEEDS SHARE IN THE CASE OF A CHANGE IN OWNERSHIP BY THE FIRST SUCCESSOR LESSEE AFTER THE AIG TERMINATION TRANSACTION, BUT SHALL NOT BE APPLICABLE TO ANY SUBSEQUENT CHANGE OF OWNERSHIP.]

4.8.1.2 Commissions, title and escrow costs, documentary transfer taxes, sales and use taxes, reasonable attorneys’ fees, prepayment fees, penalties or other similar charges (such as yield maintenance premiums or defeasance costs), and other bona fide closing costs actually paid to third parties and documented to the reasonable satisfaction of County, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share (collectively, “Documented Transaction Costs”).

4.8.1.3 That portion of the principal amount of any Financing Event after the Effective Date that constituted Net Refinancing Proceeds on which Lessee paid County a Net Proceeds Share (or, in the case of a Financing Event on which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6).

4.8.2 Transfer by Lessee’s Successor. In the case of a transfer by a Lessee other than the original Lessee, “Net Transfer Proceeds” shall mean the Gross Transfer Proceeds received by that successor, minus the following costs with respect to such successor Lessee:

4.8.2.1 The greatest of (a) the sum of the Base Value, plus Improvement Costs incurred subsequent to the Effective Date but prior to the acquisition of the leasehold interest by such successor, (b) the purchase price such successor paid to Lessee or such successor’s seller for the interest acquired or (c) the original principal amount of any Financing Event or Financing Events (on a non-duplicative basis) after such successor Lessee’s acquisition of the leasehold and with respect to which County was paid a Net Proceeds Share (or, in the case of a Financing Event on which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6), plus the principal amount of any financing existing as of the date on which such seller acquired the leasehold or subsequently obtained by Lessee, if such financing has not been refinanced, but without duplication;

4.8.2.2 Improvement Costs actually paid by such successor Lessee after such successor Lessee's acquisition of its leasehold interest in the Premises (but not duplicative of the principal amount of any Financing Event described in clause 4.8.2.1(c) above, the proceeds of which were used to fund such Improvement Costs); provided that such costs have been submitted to County, with an appropriate lender and Lessee certification, as provided in subsection 4.8.1.1; and,

4.8.2.3 Documented Transaction Costs with respect to the transfer of the interest by the successor.

4.8.3 Transfers of Major Sublessee's Interest. With respect to any Change of Ownership described in subsection 4.6.1(b), subsections 4.8.1 and 4.8.2 shall apply, except that any rents or other amounts received by Lessee from the Major Sublessee a percentage of which is passed through to County under any provision of this Lease (other than payment of Net Proceeds Share) shall be disregarded in the computation of Net Transfer Proceeds.

4.8.4 Other Transfers. With respect to any Change of Ownership that is not an Excluded Transfer and is not described in subsections 4.8.1 through 4.8.3 (e.g., a transfer of an interest in an entity holding a direct or indirect ownership interest in this Lease or in a Major Sublease), subsections 4.8.1 and 4.8.2 shall apply to such Change of Ownership, except that in lieu of deducting the Base Value and Improvement Costs in determining Net Transfer Proceeds, the cost to the transferor of the interest being transferred or which was transferred in the past but constitutes a portion of an Aggregate Transfer (which cost shall in no event be deemed to be less than a pro rata share of the Base Value and Improvement Costs (or following a transfer by the original Lessee, such cost shall in no event be deemed to be less than a prorata share of the sum of subsections 4.8.2.1 plus 4.8.2.2 as of the respective date of the transfer of each interest in the aggregation pool)) shall be deducted. Furthermore, in the event that any such Change of Ownership produces a Net Proceeds Share, the then existing Improvement Costs shall be increased by an appropriate amount to reflect the basis on which the Net Proceeds Share was calculated, and the basis of the interest that was transferred and for which a Net Proceeds Share was paid shall also be increased for subsequent transfers of the same interest, as if realized by Lessee upon a transfer of a comparable interest in this Lease or in a Major Sublease, as appropriate.

4.8.5 Net Refinancing Proceeds. "Net Refinancing Proceeds" shall mean the gross principal amount of any Financing Event after the Effective Date (plus in the case of secondary financing the original principal balance of any existing financing that is not repaid as a part of such secondary financing), minus (i) the greatest of (a) the Base Value plus the Improvement Costs, (b) the original principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share (or, in the case of a Financing Event in connection with which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6) plus if the financing described in this clause (b) was secondary financing, the original principal balance of any then existing financing that was not repaid as a part of such secondary financing, or (c) in

the case of a successor Lessee, the purchase price such successor paid to Lessee or such successor's seller for the interest acquired, (ii) any portion of the proceeds of the Financing Event which shall be used for Improvement Costs, (iii) other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event, and (iv) Documented Transaction Costs with respect to such Financing Event, and Documented Transaction Costs with respect to any previous refinancing to the extent such previous refinancing did not produce sufficient Net Refinancing Proceeds against which such Documented Transaction Costs could be offset. Notwithstanding the foregoing, there shall be no double counting of Improvement Costs in clauses (i), (ii) and (iii) above. In addition, notwithstanding any contrary provision of Section 4.6 above pursuant to which a Net Proceeds Share would be due upon a Financing Event, if the purpose of a Financing Event is to fund the acquisition cost (or a portion of the acquisition cost) of a Change of Ownership that is not an Excluded Transfer, then to the extent that the gross principal amount of the Financing does not exceed the gross sale or transfer price of such Change of Ownership, and if the Financing Event is consummated concurrently with the consummation of the Change of Ownership, there shall not be any separate Net Proceeds Share payable in connection with such Financing Event.

4.8.6 Transfers to which Sections 4.6 through 4.8 Apply. The provisions of Sections 4.6 through 4.8 hereof shall apply to all transfers of beneficial interests in this Lease or a Major Sublease which constitute a Change of Ownership, unless such transfers are otherwise excluded pursuant to this Lease. Furthermore, the provisions of Sections 4.6 through 4.8 of this Lease, and the principles set forth therein, shall apply to any transfer or series of transfers which County can demonstrate was primarily structured for the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

4.8.7 Payment. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such share and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share and late fee at the Applicable Rate from the date due until paid; provided that in the case of a dispute as to the correct amount of the Net Proceeds Share there shall be no late fee payable as long as Lessee timely pays to County the undisputed portion of the Net Proceeds Share and deposits the disputed portion thereof in an interest bearing escrow account at the closing of the transaction (or delivers to County a letter of credit or other security reasonably acceptable to County in the amount of such disputed portion). In the event that the proceeds of the transaction giving rise to the obligation to pay Net Proceeds Share are comprised, in whole or in part, of assets other than cash, then the cash payment of the Net Proceeds Share shall reflect the fair market value of such non-cash assets as of the date of the Change of Ownership, which shall be set forth in the Calculation Notice. Notwithstanding the foregoing, in the case of a Change of Ownership described in subsection 4.6.1(b), the Net Proceeds Share shall be payable to County as and when the Net Transfer Proceeds are received, with the Net Proceeds Share being equitably apportioned to the payments derived by Lessee from said

Change of Ownership (other than any payments passed through to County under this Lease).

4.8.8 Shareholder, Partner, Member, Trustee and Beneficiary List. Prior to the Effective Date, prior to each subsequent Change of Ownership or Financing Event and upon the request of County (which requests shall be no more frequent than once per year), Lessee shall provide County with an updated schedule listing the names and mailing addresses of (i) all shareholders, partners, members and other holders of equity or beneficial interests in Lessee, this Lease or the Major Sublessee under any Major Sublease, and (ii) all shareholders, partners, members and other holders of equity or beneficial interests in any of the constituent shareholders, partners, members or other holders of equity or beneficial interests in Lessee or any Major Sublessee under any Major Sublease, if such interest exceeds a five percent (5%) or greater beneficial interest in Lessee or the Major Sublessee under a Major Sublease. In the event that such shareholder, partner, member or other interest holder is a trust, Lessee shall include in such schedule the name and mailing address of each trustee of said trust, together with the names and mailing addresses of each beneficiary of said trust with greater than a five percent (5%) actuarial interest in distributions from, or the corpus of, said trust; provided, however, that to the extent that Lessee is prevented by Applicable Laws from obtaining such information regarding the beneficiaries of said trust(s), Lessee shall have complied with this provision if Lessee uses its best efforts to obtain such information voluntarily and provides County with the opportunity to review any such information so obtained. Lessee agrees to use its best efforts to provide County with any additional information reasonably requested by County in order to determine the identities of the holders of five percent (5%) or greater beneficial interests in Lessee or a Major Sublease.

Notwithstanding any contrary provision of this Section 4.8.8, during such period as a Prudential Fund holds a beneficial interest in Lessee and the Exemption Requirements are satisfied, Lessee shall not be required to disclose the identity of the individual persons or entities that hold the beneficial interests in the Prudential Fund.

## 5. CONSTRUCTION OF IMPROVEMENTS.

### 5.1 Redevelopment Work.

5.1.1 Description of Redevelopment Work. It is expressly understood and agreed that following the Effective Date Lessee shall proceed to demolish the existing landside Improvements located on the Premises and construct four hundred (400) new luxury apartment units on the Premises, consisting of two hundred forty six (246) one bedroom and one hundred fifty four (154) two bedroom units. The construction of such new apartments, along with all associated improvements, parking facilities, hardscape, landscape and other site work approved by County and to be performed in connection with the construction of such new apartments, are herein collectively referred to as the "Landside Work." The existing Improvements currently include one hundred eighty-four (184) anchorage slips and fourteen (14) end-ties. In addition to the Landside Work, Lessee shall demolish the existing anchorage slips, end-ties and related anchorage Improvements on the Premises, and replace the same with new anchorage slips, end-ties and related anchorage Improvements, including without limitation new docks, gangways and

related components (collectively, the “Anchorage Facilities”), including one hundred sixty-one (161) anchorage slips and thirteen (13) end-ties, plus the one Transient Slip described in Section 17.10 below [IF NECESSARY, PRIOR TO EXECUTION OF THE LEASE THE NUMBER OF ANCHORAGE SLIPS/END TIES WILL BE REVISED TO REFLECT ANY CHANGE IN THE NUMBER OF SUCH ANCHORAGE SLIPS/END TIES IN THE LESSEE’S FINAL ENTITLEMENTS, AS APPROVED BY COUNTY UNDER THE OPTION AGREEMENT]. The new Anchorage Facilities shall meet current Applicable Laws, including without limitation all ADA requirements. The foregoing demolition and construction work pertaining to the Anchorage Facilities is referred to herein as the “Anchorage Work.”

In addition to the foregoing, Lessee shall construct on a parcel to be created by County adjacent to the Premises as described in the general development plan attached to this Lease as Exhibit B, new public transient docks (the “Public Docks”) in accordance with the design that has been approved by County, Lessee and all necessary governmental regulatory agencies pursuant to the Option Agreement. County shall be responsible for the creation of the separate parcel for the Public Docks and providing all necessary easements or other rights for access and temporary construction easements required by Lessee in connection with the construction of the Public Docks. Any delays caused by County in providing the necessary rights in order to facilitate construction of the Public Docks, or in approving the Final Plans for the Public Docks pursuant to subsection 5.1.4 below (to the extent such Final Plans are not approved prior to the Effective Date) shall extend the Required Construction Completion Date for the Public Docks. County shall own the Public Docks and following completion of the Public Docks County shall assume full control and responsibility for the operation and maintenance of the Public Docks. Lessee shall assign all construction warranties to County. The foregoing construction work pertaining to the Public Docks is referred to herein as the “Public Docks Work.” The Landside Work, the Anchorage Work and the Public Docks Work are collectively referred to herein as the “Redevelopment Work.”

The scope, design, density, site coverage, layout and open space, view corridors, building height, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Redevelopment Work shall be in accordance with the general development plan attached to this Lease as Exhibit B and shall be subject to County’s approval as set forth in this Article 5 and Section 6.3 of the Option Agreement. The design and quality standards for the Landside Improvements shall be at least commensurate with those of luxury apartment projects recently constructed on the Westside of Los Angeles. The design and quality standards for the Anchorage Work and the Public Docks shall require that the Anchorage Facilities, as renovated, and the Public Docks are first-class, state of the art, and comply with (i) the then most recent edition of the Minimum Standards, (ii) the then most recent edition of Layout and Design Guidelines for Small Craft Facilities by the California Department of Boating and Waterways (or similar successor publication), and (iii) design memoranda as provided by the Harbor Engineer of the Los Angeles County Department of Beaches and Harbors (collectively, the “Anchorage Facilities Quality Standard”).

Lessee shall be responsible for the acquisition and compliance with all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals for the Redevelopment Work. Lessee shall be solely

responsible for all costs and expenses incurred in connection with the design, entitlement and construction of the Redevelopment Work.

5.1.2 Minimum Required Cost Amount. Lessee shall be solely responsible for all costs and expenses incurred in connection with the performance of the Redevelopment Work (including all design, entitlement and construction activities). Lessee shall expend Qualified Hard Costs equal to not less than \$133,468,700.00 (as adjusted below, the “Minimum Required Cost Amount”) for the Redevelopment Work under this Lease. The Minimum Required Cost Amount set forth above shall be increased (but not decreased) by the same percentage increase (if any) in the ENR Index during the period from September, 2015 to the month during which the construction contracts for all of the Redevelopment Work have been executed (or if the ENR Index is not published on a monthly basis, then the reporting dates for the ENR Index closest in time to September, 2015 and the month during which the construction contracts for all of the Redevelopment Work have been executed).

“Qualified Hard Costs” means the out-of-pocket hard construction costs (including general conditions and contractor profit) paid to third party contractors for the construction of the Redevelopment Work. Without limitation of any other requirements for Qualified Hard Costs, Qualified Hard Costs shall not include the following (I) the value or cost of land or water area, the existing leasehold or the existing Improvements, (II) any costs incurred in connection with the preparation of the Redevelopment Plan or any plans, drawings or specifications for the Redevelopment Work, (II) any permit or development fees or finance charges, (III) any costs related to the furnishings in the corporate or other furnished apartments, or (IV) any other soft costs relating to the Redevelopment Work. If in-house construction labor is used to perform the Redevelopment Work construction, then in addition to out-of-pocket hard costs paid to third parties, Qualified Hard Costs shall also include actual hard costs incurred by Lessee for utilization of in-house construction labor for actual services rendered at market rates for comparable services provided by third-party laborers (but not greater than the hourly rate actually paid by Lessee to such in-house laborers), as such costs are confirmed to and reasonably approved by Director. Qualified Hard Costs shall not include any costs incurred prior to the Effective Date. Director shall have the right to confirm all Qualified Hard Costs.

5.1.3 Schedule for Construction of Redevelopment Work. Lessee shall comply with all time deadlines and schedules set forth in this Article 5 relating to the completion of the design and construction of the Redevelopment Work. Lessee’s failure to do so shall, if not cured within the applicable cure period set forth in subsection 13.1.2, constitute an Event of Default. Except to the extent Lessee is prevented from so doing by the events identified in Sections 5.6 or 5.7, Lessee shall cause (1) the Substantial Commencement of Construction of the Redevelopment Work in accordance with the Final Redevelopment Work Plans and Specifications (as defined in subsection 5.1.4 below) to occur on or before that date (the “Required Construction Commencement Date”) which is six (6) months following the Effective Date, (2) in consideration for extending the Substantial Completion of the Redevelopment Work to occur on or before thirty-six (36) months following the Effective Date (the “Required Construction Completion Date”), Lessee shall pay to County the sum of one hundred fifty thousand dollars (\$150,000.00), payable prior to or contemporaneously with the exercise of the Option by Lessee pursuant to the Second modification of Option to Amend Lease Agreement (Parcel 10), between County and Lessee dated \_\_\_\_\_, 201\_.



For the purposes of this Lease, “Substantial Commencement” or “Substantial Commencement of Construction” shall mean the commencement of the demolition work required in connection with the Redevelopment Work, as long as following the commencement of demolition Lessee diligently proceeds to complete such demolition work and commences the actual construction of the new Improvements immediately following the completion of demolition. For purposes of this Lease, the terms “Substantial Completion” or “Substantially Complete” as they pertain to a portion of the Redevelopment Work shall mean the completion of such portion of the Redevelopment Work in accordance with the Final Redevelopment Work Plans and Specifications, subject to minor so-called punch list items that do not interfere with the use and occupancy of such portion of the Redevelopment Work. Without limitation of any other requirements for Substantial Completion, the requisite portion of the Redevelopment Work shall not be considered Substantially Completed until Lessee has received a temporary certificate of occupancy or equivalent approval required for the legal occupancy and use of such Redevelopment Work.

The Required Construction Commencement Date and Required Construction Completion Date will be extended only under the specific circumstances set forth above, in Sections 5.6 or 5.7, and under no other circumstances. In the event that Lessee fails to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or fails to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such dates may be extended pursuant to Sections 5.6 or 5.7 below), then in addition to any other right or remedy which County may have in connection therewith, but subject to Section 12.12, County shall have the right by written notice to Lessee to have this Lease automatically amended such that the terms and provisions of this Lease revert back to the terms and provisions of the Existing Lease (including, without limitation, the Existing Expiration Date).

5.1.4 Final Redevelopment Work Plans and Specifications. Pursuant to Sections 6.3.1 and 6.3.2 of the Option Agreement, County has heretofore approved the Schematics and the Preliminary Plans for the Redevelopment Work. On or before ninety (90) days prior to the Required Construction Commencement Date, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications for the Redevelopment Work on the Premises (the “Final Plans”), together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. The Final Plans shall reflect a natural progression and logical evolution from the Preliminary Plans approved under the Option Agreement. Lessee shall file duplicate copies of the Final Plans required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits for the Redevelopment Work on the Premises. Any material difference in the scope, size, configuration, arrangement or motif of the Improvements described in the Final Plans from those described in the Preliminary Plans for the Premises approved under Section 6.3.2 of the Option Agreement shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove the Final Plans, which approval shall not be unreasonably withheld. Director may disapprove the Final Plans only on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved Preliminary Plans (exclusive of any Approved Governmental Changes, as defined in Section 6.3.1 of the Option

Agreement). Failure of Director to disapprove said Final Plans within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the Final Plans contain substantial changes from the Preliminary Plans (other than any Approved Governmental Changes), then Director shall have sixty (60) days in which to approve the Final Plans, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the Final Plans, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.1.4 OF THE LEASE, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN ANY APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”**

Following any deemed disapproval by Director of such submission, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved Preliminary Plans (exclusive of any Approved Governmental Changes). Upon approval, the Final Plans shall be referred to herein as the “Final Redevelopment Work Plans and Specifications.” No material modifications shall be made to the Improvements described in the approved Final Redevelopment Work Plans and Specifications, without the prior written approval of Director, which shall not be unreasonably withheld.

**5.2 Future Replacement of Anchorage Facilities.** During the period from the thirtieth (30th) anniversary of the Effective Date through the fortieth (40th) anniversary of the Effective Date, County shall have the right to have the condition of the Anchorage Facilities inspected from time to time by an independent, nationally recognized, marine engineering consultant selected by County. For purposes of this Section 5.2 only, the Anchorage Facilities shall include the landside lockers, restrooms and shower facilities to which the users of the anchorage improvements are provided access. County and Lessee shall equally share the fees and expenses incurred for the marine engineering consultant engaged by the County under this Section 5.2. If in the opinion of such engineering consultant the Anchorage Facilities (i) are unsafe, unsightly or at the end of their useful lives; or (ii) are of a lesser overall quality than a majority of the other anchorage facilities operated in Marina del Rey at the time of the inspection, then at the County's request Lessee shall, at Lessee's cost, replace the Anchorage Facilities with new Anchorage Facilities. For purposes of this Section 5.2, the Anchorage Facilities shall be inspected and evaluated by the engineering consultant on a section by section basis, and if a particular section, or a material portion of a particular section, of the Anchorage Facilities does not satisfy the test set forth above, then Lessee shall be required to replace all of the component parts of such section. For purposes hereof, the landside lockers, on the one hand, and the restrooms and

shower facilities, on the other hand, shall each be considered to be a separate “section” of the Anchorage Facilities. Notwithstanding that the inspection of the Anchorage Facilities shall be performed on a section by section basis, if multiple sections of the Anchorage Facilities do not meet the test set forth above in this Section 5.2, then Lessee shall be required to perform the replacement of all of such deficient Anchorage Facilities at the same time unless Lessee and Director otherwise agree upon a mutually acceptable phasing schedule for such replacement. In all events, all of the Anchorage Facilities shall be replaced at one point or another during the period between the thirtieth (30th) and fortieth (40th) anniversaries of the Effective Date.

The replacement Anchorage Facilities under this Section 5.2 shall comply with the Anchorage Facilities Quality Standard defined in subsection 5.1.1 above and shall be performed in accordance with all terms and provisions of this Article 5 applicable to Alterations. The consultant’s determination as to the date that the Anchorage Facilities, or portions thereof, require replacement pursuant to this Section 5.2 shall be based solely on the actual condition of such Anchorage Facilities, and no consideration shall be given to the duration of the remaining Term of the Lease in making such determination. If the consultant determines that Anchorage Facilities replacement work is required, then concurrent with such determination, the consultant shall include as a part of such determination its opinion as to the period of time reasonably necessary to perform the design, permitting and construction of such work. Lessee shall commence any required work (i.e., commence any design and permitting work) within sixty (60) days following receipt of the consultant’s determination and thereafter complete the installation and construction of the work within the period prescribed in the consultant’s determination. Notwithstanding any contrary provision of this Section 5.2, with respect to the landside lockers, restrooms and shower facilities included in the Anchorage Facilities, Lessee shall have the right to choose to renovate such facilities in a manner that meets the Anchorage Facilities Quality Standard in lieu of the complete replacement thereof.

**5.3 Plans and Specifics for Alterations.** For purposes of this Lease, “Alterations” means any and all alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements on the Premises, other than the Redevelopment Work. Lessee shall make no Alterations to the Improvements located on the Premises without the prior written approval by Director of such Alterations (including the Director’s approval of the plans, specifications and other materials pertaining to such Alterations required under this Section 5.3). Prior and as a condition precedent to the construction of any Alterations, Lessee shall submit to Director, for Director’s approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations. All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease. The plan submittal and approval procedures set forth in subsections 5.3.1 through 5.3.3 below shall not be applicable to the Redevelopment Work. The Redevelopment Work shall be subject to the plan submittal and approval procedures set forth in the Option Agreement and subsection 5.1.4 of this Lease.

**5.3.1 Schematics and Narrative.** Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third

parties which are located thereon. Director shall have sixty (60) days within which to approve or disapprove such submission. Failure of Director to approve such submission in writing within said sixty (60) day period shall be deemed disapproval of said submission. Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. After approval of schematic plans (or subsequent approval of preliminary or final plans) by Director, if changes in such plans are required by conditions of approval of the Alterations imposed by the California Coastal Commission or other governmental agency having jurisdiction thereover, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove those changes which constitute Approved Governmental Changes.

**5.3.2 Preliminary Plans and Specifications.** After Director's approval of the materials submitted pursuant to subsection 5.3.1, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost estimates for the Alterations. The preliminary plans, outline specifications and construction cost estimate shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved schematics and narrative shall be separately identified and described. Director shall have twenty-one (21) days within which to approve or reasonably disapprove such submission, and Director may disapprove said preliminary plans only on the grounds that (i) they do not reflect a natural evolution from the approved schematic plans or that they materially differ from the approved schematic plans and narrative (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the schematic plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said preliminary plans within twenty one (21) days after Director's receipt thereof shall be deemed Director's approval thereof; provided, however, that in the event that the preliminary plans, outline specifications and construction cost estimates contain substantial changes from the approved schematics and narrative (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the preliminary plans, outline specifications and construction cost estimates, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.3.2 OF THE AMENDED AND  
RESTATED LEASE AGREEMENT, IF THESE MATERIALS  
CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN  
APPROVED GOVERNMENTAL CHANGES) FROM THE  
MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE  
TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE  
MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM.  
FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING**

WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director’s objections to the submission.

5.3.3 Final Plans and Specifications. After approval of the preliminary plans, Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost statement for the Alterations, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost statement required by this Section with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove such submission, and Director may disapprove such submission only on the grounds that (i) they do not reflect a natural evolution from or that they materially differ from the approved preliminary plans, outline specifications and construction cost estimates (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the preliminary plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said materials within twenty one (21) days after Director’s receipt shall be deemed Director’s approval thereof; provided, however, that in the event that the final plans, detailed construction specifications and construction cost statement contain substantial changes from the preliminary plans, outline specifications and construction cost estimates (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the final plans, detailed construction specifications and construction cost statement, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

“PURSUANT TO SUBSECTION 5.3.3 OF THE AMENDED AND  
RESTATED LEASE AGREEMENT, IF THESE MATERIALS  
CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN  
APPROVED GOVERNMENTAL CHANGES) FROM THE  
MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE  
TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE  
MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM.  
FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING  
WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE  
MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved preliminary plans and specifications (exclusive of any Approved Governmental Changes), or which contains new, different or additional specifications for the Improvements which were not expressly set forth in, and approved by Director as a part of, the preliminary plans and which do not meet the requirements for the Improvements set forth in this Article 5. No material modification shall be made to the Alterations described in the approved final plans, specifications and costs (the "Final Alteration Plans and Specifications") without the prior written approval of Director, which shall not be unreasonably withheld.

5.4 Conditions Precedent to the Commencement of Construction. No Redevelopment Work or Alterations shall be commenced until each and all of the following conditions have been satisfied:

5.4.1 Permits and Other Approvals. Lessee shall have received and furnished the Department with copies of all permits, licenses and other governmental approvals necessary for commencement of the Redevelopment Work or Alterations, as the case may be. All permits, licenses and other governmental approvals necessary for subsequent stages of the Redevelopment Work or Alterations shall be furnished to the County prior to commencement of such stages.

5.4.2 Copies of Construction Contracts. Lessee shall have furnished County with copies of any contract(s) entered into between Lessee and any general contractor(s) employed for the purpose of constructing the Redevelopment Work or Alterations, as the case may be. The general construction contract for the Redevelopment Work shall require the payment of prevailing wages with respect to the Redevelopment Work.

5.4.3 Performance and Payment Bonds. Lessee shall, at its own cost and expense, have furnished County with the following separate corporate surety bonds not less than ten business (10) days prior to the commencement of construction, which bonds must be in form and content reasonably satisfactory to County:

5.4.3.1 A corporate surety performance bond ("Performance Bond") issued by a surety company licensed to transact business as such in the State of California, in an amount not less than one hundred percent (100%) of the amount of all hard construction costs approved by County in conjunction with the approved work. The Performance Bond and its issuer shall be in all material respects reasonably satisfactory to County. It shall name Lessee as principal and said issuer as surety, and County as obligee, assuring full and satisfactory performance by Lessee of Lessee's obligations herein to build, construct and otherwise complete the Improvements described in the approved final plans and specifications.

5.4.3.2 A corporate surety payment bond, issued by a surety company licensed to transact business as such in the State of California, with Lessee as principal, said company as surety and County as obligee, in a sum equal to one hundred percent (100%) of the total construction cost anticipated to be incurred in connection with the approved work, guaranteeing payment for all materials, provisions, supplies and equipment used in, upon, for or about the performance of said construction work or for labor done thereon of any kind whatsoever and protecting County from any and all liability, loss or damages arising out of or in connection with any failure to make such payment (the "Payment Bond"). The Payment Bond shall be in form and content reasonably satisfactory to County.

In the event that construction is performed by a licensed general contractor on behalf of Lessee, provided that such contractor provides County with a bond or bonds compliant with this subsection, and in all material respects reasonably satisfactory to County and otherwise complying with this subsection, County will accept such contractor's bonds in lieu of the Performance Bond and/or Payment Bond by Lessee required by this subsection 5.4.3. Any bonds provided by Lessee or its general contractor pursuant to this subsection may name the Lessee's lender as an additional obligee.

5.4.4 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may, in its discretion, provide any one or any combination of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to County, made by an individual or entity with a sufficient net worth and liquidity, in the sole discretion of Director, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a Certificate of Deposit, cash or United States governmental security, (iii) an additional Letter of Credit, or (iv) a Set Aside Letter from Lessee's construction lender. The security described in clauses (ii), (iii) and (iv) above shall be in an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the Improvements if same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. In addition, Director also shall have the authority to accept in lieu of the Payment and Performance Bonds, so-called "Subguard" insurance in such amount, on such terms and issued by such carrier as approved by Director, in combination with such other security, such as a completion guaranty, as acceptable to Director. Any alternative security provided by Lessee pursuant to this subsection may name County and Lessee's construction lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this subsection 5.4.4 shall be delivery by Lessee to County of an opinion of counsel from a firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in subsection 5.4.3 above. Director shall have the authority, in his reasonable discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.4.5 Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by Director, to complete the Redevelopment Work or Alterations, as applicable. Lessee shall furnish Director with copies of all final notes, guarantees, partnership, shareholder or limited liability company agreements, construction loan and/or permanent loan commitments, documents evidencing equity contributions, documents creating and/or perfecting security interests, and all documents and exhibits referred to in any of the foregoing, together with any and all recorded documents affecting an interest in the Premises, within seven (7) days after such document or instrument becomes effective.

5.4.6 Work Schedule. With respect to the Redevelopment Work, Lessee shall have provided County with a construction schedule which will result in the completion of the Redevelopment Work on or before the Required Construction Completion Date, as such date may be extended as provided in this Article 5.

5.5 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Redevelopment Work described in Section 5.1 above, the future Anchorage Facilities replacement work described in Section 5.2 above, and the Subsequent Renovations described in Section 5.13 below, as applicable. Such cooperative efforts may include the Department's joinder in any application for such approval, consent, permit or variance, where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Section 25536 or 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that the Department's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Lease.

5.6 Delays in Completion of Redevelopment Work. Once construction of the Redevelopment Work has been Substantially Commenced, Lessee shall thereafter diligently pursue the completion of such construction by the Required Construction Completion Date. During this period, delays due to fire, earthquake, flood, tornado or other act of God, civil disturbance, war, organized labor dispute, freight embargo or other unforeseeable event reasonably beyond the control of Lessee, or a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity ("Force Majeure") shall extend the Required Construction Completion Date by the length of time of such delay, although Lessee shall to the extent possible commence and complete the portions, if any, of the Improvements not impacted by such delay within the timeframe set forth in this Lease. For purposes of this Section 5.6, "Force Majeure" shall also include delays in the completion of construction caused (i) by a third party restraining order or injunction (filed by a



plaintiff other than County or the California Coastal Commission) obtained after the commencement of construction, subject to Lessee's obligation to diligently pursue the removal or appeal of any such restraining order or injunction, or (ii) by Unreasonable County Activity after the commencement of construction, subject to the procedures set forth in subsection 5.7.2 below for establishing Unreasonable County Activity. Lessee and Director shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this Section 5.6. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this Section 5.6, the matter shall be arbitrated as set forth in Article 16.

5.7 Extension of Dates. Other than as set forth in Section 5.6 above, the Required Construction Commencement Date and Required Construction Completion Date shall be extended only for the reasons set forth in this Section.

5.7.1 Injunction by Third Party, Nonregulatory Body. The Required Construction Commencement Date shall be extended if the commencement of construction of the Redevelopment Work has been enjoined or restrained by a court action commenced by a plaintiff other than County or the California Coastal Commission acting in their governmental capacity. In such case, the Required Construction Commencement Date shall be extended until forty-five (45) days after the restraining order and/or injunction is removed; provided that in no event shall the Required Construction Commencement Date be extended beyond the second (2nd) anniversary of the Effective Date. Whether or not a named party in such action, Lessee shall diligently pursue the removal of any restraining order or injunction so issued and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.1, then the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date.

5.7.2 Delay Caused by Unreasonable County Acts. The Required Construction Commencement Date shall be extended if Lessee has been delayed in the obtaining of any permits or other approvals necessary for the commencement of construction due to Unreasonable County Activity. For the purposes of this Lease, the following shall be deemed to be "Unreasonable County Activity": (i) County's failure to provide required joinder, if any, in Lessee's proposals for the Improvements described in the Final Redevelopment Work Plans and Specifications before any governmental agency; or (ii) County's failure to take such other actions in its proprietary capacity reasonably requested by Lessee, at no cost or expense to County, which are necessary for Lessee to proceed with the permit/approval process or County's having taken such actions without Lessee's consent which adversely affected Lessee's rights and obligations hereunder, which were unreasonable and which actually delayed the Substantial Commencement of Construction and which action or inaction occurred after the date hereof; or (iii) County's failure to comply with the time periods imposed upon County under this Article 5, except in the case where a failure of County to notify Lessee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in this Section or

this Lease shall be construed as obliging County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit/approval process. An extension shall be available under this subsection only if all of the following procedures have been followed:

(a) Within a reasonable time under the circumstances, Lessee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Lessee fails to notify Director in writing as specified in the immediately preceding sentence within five (5) days following Lessee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this subsection 5.7.2, in no event shall Lessee be entitled to an extension for any period of the delay occurring prior to the date of Lessee's notice described in this paragraph (a).

(b) Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, Director shall meet with Lessee or its authorized representative in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the appropriate length of time of any extension pursuant to this subsection. If Director determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the extension time shall equal the amount of actual delay directly caused by the Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by Lessee), then Lessee and Director shall establish the length of time of any extension based on the actual delay of the permit/approval process likely to be caused by the Unreasonable County Activity.

(c) If, within fourteen (14) days following receipt of notice alleging Unreasonable County Activity, Director and Lessee have not agreed in writing as to whether or not an extension is appropriate, or if appropriate, the length of any such extension, then the matter shall be referred to binding arbitration in accordance with Article 16 of this Lease. The arbitrator shall be instructed that, if Unreasonable County Activity has occurred, then the standards set forth in subsection (b) above will be applied to determine the length of any extension.

The period of any extension pursuant to this subsection shall be equal to the period of the delay caused by the Unreasonable County Activity. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.2, then the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date.

**5.7.3 Delay in Obtaining Permits or Approvals.** Except as otherwise provided in subsection 5.7.4, if as of the Required Construction Commencement Date (as it may be extended as provided above), Lessee has not obtained a permit or other approval necessary to the commencement of construction from a regulatory body or agency other than County, or such regulatory body has obtained an injunction preventing

the commencement of construction, and such permits, approvals or the removal of such injunction constitute(s) the major remaining impediment to the commencement of construction, then the Required Construction Commencement Date shall be extended to forty-five (45) days after the date upon which such permit is issued or injunction dissolved, provided that (1) Lessee has exhausted and continues to exhaust all commercially reasonable efforts to obtain such approval or permit or dissolution of such injunction, and (2) such extended Required Construction Commencement Date shall not be later than the second (2nd) anniversary of the Effective Date. If the Required Construction Commencement Date is so extended, then the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date. The extension provided by this subsection shall be the only extension available in a situation where such permits and/or approvals have not been issued or such regulatory body or agency has obtained such an injunction.

5.7.4 Limitation of Extensions. Notwithstanding the foregoing, Lessee shall not be entitled to any extension unless Lessee had actually been pursuing the process of obtaining all permits, approvals, financing and other items necessary for the Substantial Commencement of Construction with due diligence, and unless all Improvements specified and plans and specifications submitted by Lessee in connection with any such permit, approval, financing or other item substantially conformed to (i) the Final Redevelopment Work Plans and Specifications, and (ii) the land use laws and regulations and the Local Coastal Plan (except for any required density transfer between Development Zones) existing as of the date of execution of this Lease by Lessee.

5.7.5 Obligation to Pay Rent. Notwithstanding anything to the contrary contained in this Lease, no extension, relaxation or modification of the requirement to Substantially Commence construction of the Redevelopment Work by the Required Construction Commencement Date and complete such Improvements by the Required Construction Completion Date, shall relieve Lessee of its obligation to pay County the Annual Minimum Rent, Percentage Rent and other amounts set forth in Article 4 of this Lease.

## 5.8 Manner of Construction.

5.8.1 General Construction Standards. All construction, alteration, modification or repairs permitted herein shall be accomplished by Lessee with due diligence. Lessee shall take all reasonable steps to minimize any damage, disruption or inconvenience caused by such work and make adequate provisions for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal to or better than the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County. Dust, noise and other effects of such work shall be controlled using accepted measures

customarily utilized in order to control such deleterious effects associated with construction projects in well populated and developed areas of southern California.

5.8.2 Utility Work. Any work performed by or on behalf of Lessee or any occupant of the Premises to connect to, repair, relocate, maintain or install any storm drain, sanitary sewer, water line, gas line, telephone conduit, or any other utility service shall be performed in a manner that minimizes interference with the provision of such services to the Premises and other persons.

5.8.3 Construction Safeguards. Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by or on behalf of Lessee, all necessary safeguards for the protection of workers and the public.

5.8.4 Compliance with Construction Documents and Laws; Issuance of Permits. All Improvements on the Premises shall be completed in substantial compliance with any construction documents approved by County and also in compliance with all applicable local, state and federal laws and regulations. Lessee shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits directly to the person or governmental agency having jurisdiction thereover.

5.8.5 Notice to Director; Damage to County Improvements. Lessee further agrees to keep Director apprised of the progress of the work to the end that Director may, upon at least one (1) Business Day advance notice, timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises or the Public Docks, including but not limited to seawalls, underground conduits and utility lines. If any such County-owned improvement is damaged as a result of construction activity by Lessee or its contractors, Lessee agrees to repair such damage immediately at no cost or expense to County. Lessee shall add the work necessary to repair such damage to the construction schedule for the Redevelopment Work (or other Alteration work, as applicable), and shall complete such repair work in accordance with such schedule; provided that if such damage to County-owned improvements creates a threat to public health and safety or materially adversely affects the condition, appearance or operation of any County-owned improvement or of any other property, then Lessee shall promptly commence the completion of such repair work and complete such repair work as soon as reasonably possible thereafter. In the event that Lessee fails to effectuate such repair in accordance with the foregoing requirements, County may upon written notice to Lessee enter upon the Premises to make such repairs, the Actual Cost of which shall be paid by Lessee within five (5) business days after demand by County. This subsection 5.8.5 shall not be deemed to impose upon Lessee any obligation to repair damage to County-owned improvements existing on or around the Premises if such damage was not incurred as a result of Lessee's construction activities.

5.8.6 Rights of Access. Representatives of the Department of Beaches and Harbors of the County shall, upon reasonable notice and at reasonable times during normal business hours, have the right of reasonable access to the Premises and the Improvements thereon without charges or fees, but at no cost or expense to Lessee, for the purpose of ascertaining compliance with the terms and conditions of this Lease,

including but not limited to the inspection of the construction work being performed. Such access shall be reasonably calculated to minimize interference with Lessee's construction and/or operations, and County shall comply with industry safety standards in connection with any such access. Lessee shall have the right to have a representative present to accompany the representatives of the Department of Beaches and Harbors of the County in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

5.8.7 Notice of Completion. Upon completion of the Redevelopment Work or any Alterations (including the Subsequent Renovation described in Section 5.13), Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the "Notice of Completion") with respect to the Improvements and Lessee shall deliver to County, at no cost to County, two (2) sets of reproducible final as-built plans and specifications of the relevant Improvements.

5.8.8 Final Completion Certificate. Promptly after completion of the Redevelopment Work, the Anchorage Facilities replacement work described in Section 5.2 or the Subsequent Renovations described in Section 5.13, upon Lessee's request, County shall execute and deliver to Lessee a final completion certificate (the "Final Completion Certificate") as to the work which is the subject thereof, which shall conclusively evidence the completion of such work by Lessee in accordance with the terms of this Lease.

5.9 Use of Plans. Contracts between Lessee and any architect, design professional or licensed contractor in connection with the construction, alteration or modification of Improvements on the Premises shall provide, in form and content reasonably satisfactory to County, for the assignment thereof to County (and Lessee's Encumbrance Holder(s) if required by Lessee's Encumbrance Holder(s)) as security to County for Lessee's performance hereunder, and County shall be furnished with a copy of any such contract, together with the further agreement of the parties thereto, that if this Lease is terminated by County due to Lessee's default, County (or if County enters into a new lease with Lessee's Encumbrance Holder pursuant to Article 12, then Lessee's Encumbrance Holder) may, at its election, use any plans and specifications created by such architect, design professional or contractor in connection with the contract, upon the payment of any sums due to any party thereto. County's right to elect to use plans and specifications as described above shall not include the unauthorized right to use any trade marks, trade names or logos of Lessee or any such architect, design professional or contractor. The assignment to County and Lessee's Encumbrance Holder(s) described in this Section 5.9 shall be effective until the Final Completion Certificate for the subject work is issued, and shall be subordinate to the security interest, if any, of Lessee's construction lender in the assigned contract, which subordination shall be in a form reasonably acceptable to Lessee's construction lender.

5.10 Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section

5.3) for Alterations where all of the following conditions are satisfied: (i) the total cost of the project is less than One Hundred Thousand Dollars (\$100,000), adjusted annually to reflect the increase or decrease in the ENR Index from and after the Effective Date (provided, however, that in no event shall such adjustment result in a reduction of the threshold for Director approval to less than One Hundred Thousand Dollars (\$100,000); (ii) none of the proposed construction activity is structural in nature; and, (iii) none of the proposed construction, additions, modifications or changes affect or are visible from the exterior of the Premises; provided, however, that whenever Lessee makes or constructs or permits any improvements in or to the Premises, Lessee shall (a) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (b) furnish a copy of “as-built” plans upon completion of such work to County.

5.11 County’s Inducement. Lessee acknowledges that the principal inducement to County to enter into this Amended and Restated Lease Agreement and to extend the Term as provided herein is the timely improvement of the Premises by Lessee with the Redevelopment Work described in Section 5.1 above and the timely performance by Lessee of the future Anchorage Facilities replacement work described in Section 5.2 above. Accordingly, Lessee expressly acknowledges that any failure by Lessee to perform its obligations under such Sections 5.1 or 5.2 in all material respects by the dates set forth herein (as such dates may be extended pursuant to Section 5.6 or 5.7) shall constitute a material breach of and default under the Lease by Lessee which entitles County to exercise any and all rights and remedies which County may have as a result thereof, under this Lease, at law and/or in equity.

5.12 Protection of County. Nothing in this Lease shall be construed as constituting the consent of County, express or implied, to the performance of any labor or the furnishing of any materials or any specific Improvements, alterations or repairs to the Premises of any part thereof by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services, or the furnishing of any materials, in any such manner as would give rise to the filing of mechanics’ liens or other claims against the County’s interest in the Premises or County.

5.12.1 Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of County’s interest in the Premises from mechanics’ liens or other claims. Lessee shall give County at least ten (10) business days prior written notice of the commencement of any work to be done on the Premises under this Article 5, in order to enable County timely to post such notices.

5.12.2 Prompt Payment. Lessee shall make, or cause to be made, prompt payment of all monies due and owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Redevelopment Work, the Premises or the Improvements thereon. Lessee shall have the right to contest any such amount; provided, however, the entire expense of any such contest (including interest and penalties which may accrue) shall be the responsibility of Lessee.

5.12.3 Liens; Indemnity. Subject to Lessee's rights to contest the same prior to payment, Lessee shall keep the Public Docks Parcel and the Premises and any Improvements thereon free and clear of all mechanics' liens and other liens arising out of or in connection with work done for Lessee and/or any parties claiming through Lessee. Lessee agrees to and shall indemnify, defend and hold County harmless from and against any claim, liability, loss, damages, costs, expenses, attorneys' fees incurred in defending and all other expenses on account of claims of lien(s) of laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it.

In the event any lien is recorded, Lessee shall, within five (5) business days after demand, furnish any one of the following, as determined by Lessee: (i) the bond described in California Civil Code Section 3143, or successor statute, which results in the removal of such lien from the Premises, (ii) a Set Aside Letter from Lessee's construction lender, in form and substance reasonably satisfactory to County, setting aside sufficient funds from Lessee's construction loan for the satisfaction of such lien, or (iii) a title insurance policy or endorsement insuring County against any loss or liability arising out of such lien, together with any other evidence requested by County to evidence that such claim will be paid, removed or discharged as a claim against the Premises and/or County.

5.13 Renovation Fund/Subsequent Renovations. During the period from the eleventh (11th) Lease Year following the Effective Date through the thirty-seventh (37th) Lease Year following the Effective Date, Lessee shall establish and maintain a reserve fund (the "Renovation Fund") in accordance with the provisions of this Section 5.13 for the cost of capital renovations to the Improvements as described in this Section 5.13. Lessee and County agree and acknowledge that the purpose of the Renovation Fund shall be to provide funds for a renovation of the common areas and exterior of the Improvements (not including the Anchorage Facilities) on two separate occasions, once during the period from the sixteenth (16<sup>th</sup>) through nineteenth (19th) Lease Years following the Effective Date and again during the period from the thirty-sixth (36th) through thirty-ninth (39th) Lease Years following the Effective Date (each, a "Subsequent Renovation"). Each of the Subsequent Renovations shall proceed in accordance with (i) a schedule that provides for the completion of the Subsequent Renovation prior to the completion of the nineteenth (19th) or thirty-ninth (39th) Lease Year following the Effective Date, as applicable, and (ii) a renovation plan approved by the Director that provides for the revitalization and upgrade of the common areas and exterior of the Improvements (excluding the Anchorage Facilities) to a condition and appearance at least equal to that of other first class residential apartment projects then recently constructed or being constructed in Marina del Rey.

Prior to the commencement of the construction work for a Subsequent Renovation, Lessee shall submit to Director a renovation plan for such Subsequent Renovation, which renovation plan ("Subsequent Renovation Plan") shall (a) describe the proposed renovation work in detail reasonably acceptable to Director, (b) include a design, governmental approvals and construction schedule for the work, (c) include a budget for all work costs, and (d) address such other matters as Director reasonably requests. The Subsequent Renovation Plan shall be submitted by Lessee to County not later than such date (taking into consideration the approval periods described in this Section 5.13 and Section 5.3 above, the estimated time required to obtain all necessary governmental approval and permits, and the estimated time required to

complete the work) as will permit the completion of the work by the required completion date under this Section 5.13. Director shall have sixty (60) days within which to reasonably approve or disapprove the Subsequent Renovation Plan, or to approve the Subsequent Renovation Plan subject to conditions imposed by Director in its reasonable judgment. Failure of Director to notify Lessee in writing of its approval or disapproval of the Subsequent Renovation Plan shall be deemed Director's disapproval of the Subsequent Renovation Plan. Upon Director's approval of the Subsequent Renovation Plan, Lessee shall proceed to satisfy all conditions in this Article 5 to the commencement of the Subsequent Renovation and to commence and complete the Subsequent Renovation in accordance with the Subsequent Renovation Plan and the terms and conditions of this Article 5. Director's approval of the actual plans and specifications for the Subsequent Renovations shall proceed in accordance with the protocol for plan submission and approval set forth in Section 5.3 of this Lease, except that the schematic plan submittal requirements set forth in subsection 5.3.1 shall not be applicable to the extent that the Subsequent Renovation Plan approved by Director satisfies the requirements of such subsection 5.3.1. Lessee's failure to comply with the schedule approved by Director as part of a Subsequent Renovation Plan and/or to meet the completion deadline pertaining to the Subsequent Renovation set forth in this Section 5.13 shall, if not cured within the cure period set forth in subsection 13.1.2, constitute an Event of Default. Any dispute as to whether Director has failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan shall be submitted to arbitration pursuant to Article 16 of this Lease. If the arbitrator determines that Director failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan and as a result thereof Lessee is delayed in the completion of the Subsequent Renovation by the required completion date set forth in the first paragraph of this Section 5.13, then the required date for the completion of such Subsequent Renovation shall be extended by the duration of the delay caused by Director's failure to reasonably approve the Subsequent Renovation Plan, provided that the required date for the completion of the Subsequent Renovation shall not be extended beyond the date reasonably required Lessee for the completion by Lessee of the Subsequent Renovation.

The Renovation Fund shall be an account established with a reputable financial institution (including Lessee's Encumbrance Holder) acceptable to Director into which deposits shall be made by Lessee (and/or into which Lessee's Encumbrance Holder shall provide funds) pursuant to this Section 5.13. The amounts to be added to the Renovation Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to the requirements and shall be made available for the purposes of this Section 5.13. On or before the fifteenth (15th) day of each calendar month commencing with the month of February during the eleventh (11th) Lease Year following the Effective Date and continuing through the month of January of the thirty-eighth (38th) Lease Year following the Effective Date, Lessee shall make a deposit to the Renovation Fund on a monthly basis in the amount of one percent (1%) of Gross Receipts received during the preceding month, excluding Gross Receipts from the Anchorage Facilities described in subsection 4.2.2(a) of this Lease. All interest and earnings on the Renovation Fund shall be added to the Renovation Fund, but shall not be treated as a credit against, or otherwise reduce, the deposits required to be made by Lessee to the Renovation Fund. Disbursements shall be made from the Renovation Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.13. Prior to the disbursement of any amounts from the Renovation Fund, Lessee shall furnish to Director



applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Renovation Fund. Director shall have no obligation to approve the disbursement of amounts from the Renovation Fund unless and until Director has approved Lessee's Subsequent Renovation Plan for such Subsequent Renovation and Lessee has furnished to Director evidence reasonably satisfactory to Director that Lessee has sufficient financial resources to pay for all costs of such Subsequent Renovation. All remaining amounts in the Renovation Fund shall be used for the costs of the Subsequent Renovation Plan to be implemented by Lessee by the end of the thirty-ninth (39th) Lease Year following the Effective Date, and Lessee shall not be required to make further contributions to the Renovation Fund after the month of January of the thirty-eighth (38th) Lease Year following the Effective Date.

In lieu of the periodic Renovation Fund contributions described in this Section 5.13, Lessee agrees that Director shall have the authority, in the exercise of the Director's discretion, to consider the delivery by Lessee of substitute security acceptable to Director (e.g., a letter of credit or bonding mechanism) to secure the performance by Lessee of the Subsequent Renovations described above in this Section 5.13. Such substitute security shall be in not less than the same amounts and delivered not later than the same times, as amounts that would have otherwise been required to be delivered into the Renovation Fund.

5.14 Capital Reserve Fund. In addition to the Renovation Fund described in Section 5.13 above, during the period commencing with the eleventh (11th) Lease Year after the Effective Date and continuing through the end of the Term, Lessee shall establish and maintain a reserve fund (the "Capital Reserve Fund") in accordance with the provisions of this Section 5.14 for the cost of Permitted Capital Expenditures (as defined below) for the Premises. Lessee and County agree and acknowledge that the purpose of the Capital Reserve Fund shall be to provide funds for the costs of additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Redevelopment Work ("Permitted Capital Expenditures"). Notwithstanding any contrary provision hereof, the Capital Reserve Fund shall not be used to fund any portion of the cost of work pertaining to the Anchorage Facilities, nor for any portion of the cost of the Subsequent Renovations described in Section 5.13 above. In addition, Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the Improvements in a good, operating condition, nor for any necessary repairs, replacements or renovations of the Anchorage Facilities (including any landside lockers, restrooms or shower facilities to which the anchorage users are provided access), all of which costs shall be separately funded by Lessee. By way of example, set forth on Exhibit F attached to this Lease are categories of Permitted Capital Expenditures that qualify as proper costs to be funded from the Capital Reserve Fund. All purposes and costs for which Lessee desires to utilize amounts from the Capital Reserve Fund shall be subject to Director's approval, which approval shall not be unreasonably withheld.

The Capital Reserve Fund shall be an account established with a reputable financial institution (including Lessee's Encumbrance Holder) acceptable to Director into which deposits

shall be made by Lessee (and/or into which Lessee's Encumbrance Holder shall provide funds) pursuant to this Section 5.14. The amounts to be added to the Capital Reserve Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to the requirements and shall be made available for the purposes of this Section 5.14.

On or before the fifteenth (15th) day of each calendar month during the Term commencing with the month of February in the eleventh (11th) Lease Year following the Effective Date and continuing during the remainder of the Term, Lessee shall make a deposit to the Capital Reserve Fund on a monthly basis in the amount of one percent (1%) of Gross Receipts received during the preceding month, excluding Gross Receipts from the Anchorage Facilities described in subsection 4.2.2(a) of this Lease. All interest and earnings on the Capital Reserve Fund shall be added to the Capital Reserve Fund, but shall not be treated as a credit against the Capital Reserve Fund deposits required to be made by Lessee pursuant to this Section 5.14. Disbursements shall be made from the Capital Reserve Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.14. For the purpose of obtaining Director's prior approval of any Capital Reserve Fund disbursements, Lessee shall submit to Director on an annual basis on or before the commencement of the eleventh (11th) Lease Year after the Effective Date and each anniversary thereafter a capital expenditure plan for the upcoming year which details the amount and purpose of anticipated Capital Reserve Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld. Any anticipated expenditure set forth in such capital expenditure plan which is approved by Director as an acceptable Capital Reserve Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual capital expenditure plan) for the duration of the upcoming year. Lessee shall have the right during the course of each year to submit to Director for Director's approval revisions to the then current capital expenditure plan in effect for such year or individual expenditures not noted on the previously submitted capital expenditure plan. Prior to the disbursement of any amounts from the Capital Reserve Fund, Lessee shall furnish to Director applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Capital Reserve Fund. As long as Lessee is not then in default under the Lease, including without limitation, its obligations under this Section 5.14, if, and at such time during the last ten (10) years of the Term as, County notifies Lessee that County shall require the removal of Improvements at the end of the Term pursuant to subsection 2.5.2, Lessee shall have the right to use all remaining amounts in the Capital Reserve Fund for Improvement removal fund purposes under such subsection 2.5.2.

## 6. CONDEMNATION.

### 6.1 Definitions.

6.1.1 Condemnation. "Condemnation" means (1) the exercise by any governmental entity of the power of eminent domain, whether by legal proceedings or otherwise, and (2) a voluntary sale or transfer to any Condemnor (as hereafter defined), either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.2 Date of Taking. “Date of Taking” means the date the Condemnor has the right to possession of the Premises being condemned.

6.1.3 Award. “Award” means all compensation, sums or anything of value awarded, paid or received from a total or partial Condemnation.

6.1.4 Condemnor. “Condemnor” means any public or quasi-public authority, or private corporation or individual, having the power of eminent domain.

6.2 Parties’ Rights and Obligations to be Governed by Lease. If, during the Term of this Lease, there is any taking of all or any part of the Premises, any Improvements on the Premises or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 6.

6.3 Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking.

6.4 Effect of Partial Taking. If a portion of the Premises or the Improvements thereon are taken by Condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee’s continued use for the purposes contemplated by this Lease. The remaining portion of the Premises shall be deemed unsuitable for Lessee’s continued use if, following a reasonable amount of reconstruction (to the extent that funds therefor are available from the anticipated Award), Lessee’s business on the Premises could not be operated at an economically feasible level. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the nature and extent of the taking and the probable amount of compensation have been determined. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease’s continuing in full force and effect, except that Annual Minimum Rent shall be abated pursuant to Section 6.5, below.

In the event that Lessee does not elect to terminate this Lease as provided above, then Lessee, whether or not the Awards or payments, if any, on account of such taking shall be sufficient for the purpose, shall, at its sole cost and expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its value, condition and character immediately prior to such taking, taking into account, however, any necessary reduction in size or other change resulting from the taking; provided, however, that in case of a taking for temporary use, Lessee shall not be required to effect restoration until such taking is terminated.

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a “Partial Taking”), the Annual Minimum Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Minimum Rent multiplied by the ratio of the fair market value of the portion of the Premises not so taken to the fair market value of the entire Premises immediately prior to the Partial Taking, but without regard to any diminution in value resulting from the imminent taking. Upon the next Annual Minimum Rent Adjustment Date, as

described in Section 4.2.4 above, if any, for the purposes of adjusting the Annual Minimum Rent, the Annual Rent paid by Lessee to County prior to the date of the Partial Taking shall be adjusted, for the purposes of this calculation only, to the proportion that the fair market value of the portion of the Premises which remains after the taking bears to the fair market value of the entire Premises immediately prior to the taking. If the parties cannot agree upon the appropriate Annual Minimum Rent, the matter shall be settled through arbitration in the manner set forth in Article 16 hereof. Any determinations of fair market value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the “income approach” or “income capitalization approach” to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the “Income Approach”). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent and Supplemental Percentage Rent, shall remain in full force and effect.

6.6 Waiver of Code of Civil Procedure Section 1265.130. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking of the Premises.

6.7 Payment of Award. Awards and other payments on account of a taking, less costs, fees and expenses incurred in the collection thereof (“Net Awards and Payments”), shall be applied as follows:

6.7.1 Partial Taking Without Termination. Net Awards and Payments received on account of a Taking other than a total Taking or a Partial Taking which results in termination hereof or a taking for temporary use shall be held by County and shall be paid out to Lessee or Lessee’s designee(s), in progress payments, to pay the cost of restoration of the Premises. The balance, if any, shall be divided between County and Lessee pro rata, as nearly as practicable, based upon (1) the then value of County’s interest in the Premises (including its interest hereunder) and (2) the then value of Lessee’s interest in the remainder of the Term of this Lease including bonus value (for such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4). Any determinations of fair market value made pursuant to this Section 6.5 shall be predicated upon the Income Approach. Notwithstanding the foregoing, if County is the condemning authority and the taking pertains only to Lessee’s interest, then Lessee shall be entitled to the entire amount of the Net Awards and Payments.

In case of a taking other than a total taking or a taking for temporary use, Lessee shall furnish to County evidence satisfactory to County of the total cost of the restoration required by Section 6.4.

6.7.2 Taking For Temporary Use. Net Awards and Payments received on account of a taking for temporary use shall be paid to Lessee; provided, however, that if any portion of any such award or payment is paid by the Condemnor by reason of any damage to or destruction of the Improvements, such portion shall be held and applied as provided in the first sentence of Section 6.7.1, above.

6.7.3 Total Taking and Partial Taking with Termination. Net Awards and Payments received on account of a total taking or a Partial Taking which results in the termination of this Lease shall be allocated in the following order:

First: There shall be paid to County an amount equal to the greater of (a) the sum of (1) the present value of all Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other sums which would become due through the expiration of the Term if it were not for the taking less, in the event of a Partial Taking, an amount equal to the present value of the fair rental value of the portion of the Premises (with the Improvements thereon) not subject to the Partial Taking, from the date of the Partial Taking through the expiration of the Term and (2) the present value of the portion of the Premises (with the Improvements thereon) subject to the taking from and after the expiration of the Term or (b) in the event of a Partial Taking, the present value of the fair market rental value of the portion of the Premises (with the Improvements thereon) subject to the Partial Taking, from and after the expiration of the Term.

Second: There shall be paid to any Encumbrance Holder an amount equal to the sum of any unpaid principal amount of any Encumbrance secured by the Premises plus costs, expenses, and other sums due pursuant the loan documents, if any, and any interest accrued thereon, all as of the date on which such payment is made; and then

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

If County is the condemning authority in connection with a total taking or a partial taking that results in the termination of the Lease, and the taking pertains to only Lessee's interest, then Lessee shall be entitled to the entire amount of any Net Awards and Payments.

6.7.4 Disputes. Any dispute under Article 6 concerning the fair market value of the Premises or any portion thereof, computation of present value or the determination of the amount of Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent or other sums which would have become due over the Term of this Lease which are not resolved by the parties, shall be submitted to arbitration pursuant to Article 16 of this Lease. Such valuations, computations and determinations of value shall be made utilizing the Income Approach.

## 7. SECURITY DEPOSIT.

7.1 Amount and Use. On or prior to the Effective Date, Lessee shall deliver to County a security deposit (the "Security Deposit") in the amount of one-fourth (1/4) of the total Annual Rent that was payable by Lessee for the year immediately preceding the Effective Date.

County shall apply the current balance of any security deposit under the Existing Lease as a credit against the Security Deposit required to be delivered by Lessee under this Section 7.1. Effective as of the fifth (5th) anniversary of the Effective Date and each and every subsequent fifth (5th) anniversary thereafter during the remainder of the Term, the Security Deposit maintained by Lessee with County shall be adjusted to a sum equal to one-fourth (1/4) of the total Annual Rent which was payable by Lessee for the immediately preceding calendar year; provided, however, in no event shall the Security Deposit ever be reduced below the amount of the Security Deposit required to be in effect prior to such adjustment. The Security Deposit shall secure Lessee's obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover (a) delinquent rent not paid by Lessee within any applicable notice and cure period, and (b) any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. Lessee shall have the right to maintain the Security Deposit in form of cash or in lieu or replacement of the cash Security Deposit requirement described above, in the form of a certificate of deposit, letter of credit or other approved investment instrument acceptable to County with respect to form, content and issuer. As long as no Event of Default by Lessee exists under the Lease, Lessee shall be entitled to any interest or other earnings which are actually earned on any unapplied portions of the Security Deposit delivered to County in the form of a certificate of deposit or other approved investment instrument (as opposed to cash, on which Lessee shall not be entitled to interest). Provided that no Event of Default then exists under the Lease, at the end of each Lease Year Lessee shall be entitled to a credit for all unexpended interest accruing to Lessee's benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

7.2 Replacement. In the event that some or all of the Security Deposit is drawn against by County and applied against any delinquent rent not paid by Lessee within any applicable notice or cure period, or against other Events of Default of Lessee hereunder, Lessee shall, within ten (10) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, or cause the issuer of the Letter of Credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said ten (10) day period), the full amount of the Security Deposit shall be available to County. Failure to maintain and replenish the Security Deposit, if not cured within the time period set forth in subsection 13.1.3, shall constitute an Event of Default hereunder.

7.3 Renewal. Any letter of credit procured by Lessee and delivered to County shall provide for notice to County by the issuer thereof no less than sixty (60) days prior to the expiration of the term of such letter of credit in the event that the issuer thereof is not irrevocably committed to renew the term of such letter of credit. In the event that, thirty (30) days prior to the expiration of such letter of credit, Lessee has not provided County with satisfactory evidence of its renewal or replacement, or has not provided County with adequate replacement security, County may draw down upon the letter of credit and hold the funds as security for Lessee's obligations as set forth in this Lease and may apply the funds to cover delinquent rent not paid by Lessee within any applicable notice and cure period and/or any other Event of Default of Lessee under this Lease.

8. INDEMNITY.

Except to the extent caused by the gross negligence or willful misconduct of any such indemnitee, Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its respective Boards, officers, agents, consultants, counsel, employees and volunteers from any and all claims, costs, losses, expenses or liability, including expenses and reasonable attorneys' fees incurred in defending against the same by an attorney selected by Lessee and reasonably satisfactory to County, to the extent arising from or caused by (a) the operation, maintenance, use, or occupation of the Premises (other than the Promenade and the Seawall) or the Improvements by Lessee or its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, including any occurrence in or on the Premises or Improvements, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, (c) the failure of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees to observe and abide by any of the terms or conditions of this Lease or any applicable law, ordinance, rule, or regulation, or (d) the performance of the Redevelopment Work or any Alterations. The obligation of Lessee to so relieve, indemnify, protect, and save harmless County and each of its respective Boards, officers, agents, consultants, counsel, employees and volunteers, shall continue during any periods of occupancy or of holding over by Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease. Notwithstanding anything in this Lease to the contrary, Lessee and County acknowledge that their respective liability, if any, arising out of the operation, maintenance, use and/or occupation of the Promenade shall be governed by Applicable Law.

9. INSURANCE.

9.1 Lessee's Insurance. Without limiting Lessee's indemnification of County, during the Term of this Lease Lessee shall provide and maintain the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a "general policyholders rating" of at least A-VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency.

9.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	\$20,000,000
Products/Completed Operations Aggregate:	\$20,000,000
Personal and Advertising Injury:	\$10,000,000
Each Occurrence:	\$10,000,000

Lessee may satisfy the above coverage limits with a combination of primary coverage ("Primary Coverage") and excess liability coverage ("Umbrella Coverage") (as long as

(a) Lessee's Primary Coverage is at least One Million Dollars (\$1,000,000) per occurrence, One Million Dollars (\$1,000,000) annual aggregate, and (b) the combination of such Primary Coverage and Umbrella Coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverages required under this Section 9.1.1.

9.1.2 Automobile Liability insurance (written on ISO form CA 00 01 or its equivalent) with a limit of liability of not less than One Million Dollars (\$1,000,000) of Primary Coverage and One Million Dollars (\$1,000,000) of Umbrella Coverage, for each accident and providing coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto." During any period of operation of valet parking facilities, Lessee also shall provide Garagekeeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Three Million Dollars (\$3,000,000) for this location.

9.1.3 Workers Compensation and Employers' Liability insurance providing workers compensation benefits, as required by the Labor Code of the State of California and for which Lessee is responsible, and including Employers' Liability coverage with limits of not less than the following:

Each Accident:	\$1,000,000
Disease - policy limit:	\$1,000,000
Disease - each employee:	\$1,000,000

9.1.4 Commercial Property insurance covering damage to the Premises, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake, and including Ordinance or Law Coverage, written for the full replacement value of the Improvements, with a deductible no greater than \$250,000 or 5% of the property value, which ever is less, and also including business interruption, including loss of rent equal to eighteen (18) months of rent, with proceeds payable to Lessee and County as their interests may appear and utilized for repair and restoration of the Premises and Improvements. Notwithstanding the foregoing, during any period during which no Improvements exist on the Premises or all of the existing Improvements are being demolished in connection with the construction of Redevelopment Work, the obligation to provide insurance under this subsection 9.1.4 shall not be applicable so long as the insurance coverage described in subsection 9.1.5 below is carried.

9.1.5 For construction projects, including the Redevelopment Work, any Alterations or restoration of the Improvements on the Premises, Lessee or Lessee's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis.):

9.1.5.1 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP



10 30). This insurance shall be endorsed to include ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, including County furnished materials and equipment, against loss or damage until completion and acceptance by Lessee.

9.1.5.2 General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Alterations or Redevelopment Work. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Redevelopment Work, three (3) years after the date the Redevelopment Work is completed and accepted by the Lessee, or (b) in the case of Alterations after the completion of the Redevelopment Work, such period after the date such Alterations are completed and accepted by Lessee as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.

9.1.5.3 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Alterations or Redevelopment Work. Such insurance shall include coverage for all “owned,” “hired” and “non-owned” automobiles, or coverage for “any auto.”

9.1.5.4 Professional Liability. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this subsection 9.1.5.4 shall be (a) Three Million Dollars (\$3,000,000) with respect to the prime architect for the Redevelopment Work (or such lesser amount as required by Director for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars (\$1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Redevelopment Work or subsequent Alterations, provided that Director shall have the discretion to reduce the coverage limits under this clause (b) if appropriate in the judgment of Director based on the nature and scope of the services being provided.

9.1.5.5 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape,

dispersal or emission of asbestos or pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or order. If the asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor's or subcontractor's Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Alterations or Redevelopment Work.

9.1.6 If the use of the Premises or Improvements involves any manufacture, distribution or service of alcoholic beverages, Liquor Liability insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) with a liability limit of not less than Five Million Dollars (\$5,000,000) per occurrence and an annual aggregate of Ten Million Dollars (\$10,000,000), which limits may be covered by a combination of Primary Coverage and Umbrella Coverage. If written on a claims made form, the coverage shall also provide an extended two-year reporting period commencing upon the termination or cancellation of the Lease.

9.2 Provisions Pertaining to Property Insurance. The insurance coverage required in Sections 9.1.4 and 9.1.5.1 shall name the County as an additional insured and any Encumbrance Holder as loss payee. Subject to Section 12.8, upon the occurrence of any loss, the proceeds of property and builder's risk insurance shall be held by County in trust for the named insureds as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than \$500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Effective Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of Improvements in accordance with the terms of the loan agreement or deed of trust with Lessee's Encumbrance Holder. In the event of a loss, Lessee shall be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 11 hereof. Subject to Section 12.8, any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

9.3 General Insurance Requirements. Subject to the immediately following grammatical paragraph, a duplicate policy or policies (or certificates of insurance) evidencing the insurance coverage required under this Article 9, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than the Effective Date, provided that the evidence of the insurance coverage required under Section 9.1.5 shall be required to be delivered by Lessee prior to the commencement of any Alterations or Redevelopment Work. All certificates of insurance shall (a) specifically identify the Lease; (b) clearly evidence all coverages required under the Lease; (c) identify any deductibles or self-insured retentions exceeding \$25,000 or such other commercially reasonable amount as approved by the Director; and (d) evidence all other requirements under this Article 9. The policy or policies of insurance shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business days prior to the expiration of such policy,

a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.

In lieu of submitting a copy of the policy or policies evidencing the above insurance, Lessee may submit in a form reasonably acceptable to County a certificate of insurance.

Any insurance coverage may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County such that such coverage provides the same protection as required under this Article 9 as if the insurance had been procured on an individual property basis.

9.4 Additional Required Provisions. Lessee's insurance policies required by this Article 9 shall be for a term of not less than one year and shall additionally provide:

- (a) that County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, shall be named as additional insureds under any liability insurance policy or policies;
- (b) that the full amount of any losses to the extent property insurance proceeds are available shall be payable to additional insureds notwithstanding any act, omission or negligence of Lessee which might otherwise result in forfeiture of such insurance;
- (c) in any property insurance policy, a waiver of all right of subrogation against County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers with respect to losses payable under such policies;
- (d) in any property insurance policy, that such policies shall not be invalidated should the insured waive, prior to a loss, any or all right of recovery against any party for losses covered by such policies;
- (e) to the extent of the indemnification obligations of Lessee in favor of any additional insureds, the property and commercial general liability insurance policies shall provide coverage on a primary and non-contributory basis with respect to such additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;
- (f) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgage clause;
- (g) that such policies shall not be suspended, voided, canceled, reduced in coverage or in limits or materially changed without at least thirty (30) days prior written notice to County and all Encumbrance Holders or ten (10) business days in case of cancellation for failure to pay the premium;

(h) that the commercial general liability insurance shall apply separately to each insured against whom a claim is made, except with respect to the overall limits of said insurer's liability; and,

(i) that the property and commercial general liability insurance policies shall contain no special limitations on the scope of protection afforded to the additional insureds, and no failure to comply with the reporting provisions of such policies shall affect the coverage afforded to such additional insureds.

9.5 Failure to Procure Insurance. If Lessee fails to procure or renew the herein required insurance and does not cure such failure within five (5) business days after written notice from County, in addition to the other rights and remedies provided hereunder, County may, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith. All monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) business days after Lessee's receipt of written demand therefor.

9.6 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Section 9.1.1, 9.1.2 and 9.1.3 shall be subject to renegotiation as of each fifth (5th) anniversary of the Effective Date (each, an "Insurance Renegotiation Date"). If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

9.7 Notification of Incidents, Claims or Suits. Lessee shall notify County of any accident or incident on or about the Premises which involves injury or property damage over Fifty Thousand Dollars (\$50,000.00) in the aggregate and pursuant to which a claim against Lessee and/or County is made or threatened. Such notification shall be made in writing within 72 hours after Lessee first becomes aware of the claim or threatened claim.

## 10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 Lessee's Maintenance and Repair Obligations. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (including the Promenade, but excluding the Excluded Conditions and excluding the Seawall), in conformance with the Minimum Standards regarding the use and occupancy of residential apartment buildings in Marina del Rey (such as the Premises) as revised from time to time by County in a manner consistent with commercially reasonable maintenance standards applicable to other comparable residential apartment buildings in Marina del Rey (the "Maintenance Standard"). Any dispute as to whether revisions to the Maintenance Standard adopted by the County from time to time pursuant to the immediately preceding sentence are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Without limiting the foregoing, at Lessee's sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises (including the Promenade) and all equipment, Improvements or

physical structures of any kind which may exist or be erected, installed or made on the Premises in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10. Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, the Maintenance Standard and the terms and provisions of this Article 10. Lessee shall maintain all Improvements on the Premises (other than the Excluded Conditions and the Seawall) in a safe, clean, wholesome and sanitary condition, in the commercially reasonable judgment of Director, and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as is necessary in the commercially reasonable judgment of the Director to maintain the appearance of the Premises in a manner consistent with the Maintenance Standard. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right to enter upon and inspect the Premises at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises. The exclusion of the Excluded Conditions and the Seawall from Lessee's maintenance obligations under this Section 10.1 shall not relieve Lessee from the obligation to repair and restore any damage to the Excluded Conditions and/or the Seawall caused by Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee, and Lessee hereby agrees to perform such repair or restoration work at Lessee's sole cost and expense.

10.2 Maintenance of Anchorage Facilities. Lessee shall at all times during the Term keep all Anchorage Facilities in good repair and condition in accordance with the requirements of the Minimum Standards. During the Term Lessee shall also complete float repair and replacement on an as-needed basis. Any requirement for repair of the Anchorage Facilities due to a deficiency notice issued by the Department shall be accomplished with new materials and parts rather than patching or other like method. Such required replacement of deficiency-cited items with wholly new parts and materials shall, however, be limited to the specific item in disrepair and shall not connote a requirement, for maintenance purposes, that areas or items surrounding the deficient item be replaced with new materials and/or parts.

10.3 Water Quality Management Program. During the remaining Term of the Lease, Lessee shall comply with all water quality management requirements imposed by the Coastal Commission in connection with the issuance of any Coastal Development Permit for the Anchorage Work required in Section 5.1 above and the future replacement of the Anchorage Facilities required in Section 5.2 above; provided, however, that Lessee shall in all events comply at least with the water quality management requirements set forth in Exhibit E attached to this Lease. In addition, during the remaining Term of the Lease, Lessee shall remove floating debris from the water surrounding the Anchorage Facilities in accordance with a program and regular schedule reasonably acceptable to the Director.

10.4 Deficiency Notices. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under this Article 10, then Lessee shall promptly commence the cure thereof and shall complete

such cure within the time period for such cure set forth in the County's deficiency notice, which cure period shall not be less than thirty (30) days except if the deficiency pertains to a condition that is a threat to health or safety or otherwise constitutes an emergency situation, in which case County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury. If Lessee fails to cure any such deficiency within the cure period set forth in County's deficiency notice (which cure period shall comply with the requirements of the immediately preceding sentence of this Section 10.4), then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 of this Lease for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay to County an amount equal to One Hundred Dollars (\$100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured; provided, however, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County's notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will effectuate the cure in as short a period as reasonably possible, then the cure period specified in County's deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from the County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.4 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If a cited deficiency is not health or safety related and does not otherwise constitute an emergency, and if in the reasonable and good faith business judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to Director within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with Director, then Director shall have the right, in the exercise of Director's discretion, to consider such contest. If Lessee's contest is made on a reasonable and good faith basis, then the cure period for the deficiency notice shall be tolled during the period between the date Director receives written notice of such contest and continuing until Director notifies Lessee in writing that either Director denies Lessee's contest or that Director has determined not to consider such contest, and the daily penalty set forth above in this Section 10.4 shall not be applicable during the period that the cure period is tolled. The One Hundred Dollars (\$100) per diem amount set forth in this Section 10.4 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding each such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.4 within ten (10) days after written notice from County, then County shall have the right to draw on the Security Deposit to cover such unpaid amounts.

**10.5 Option to Terminate for Uninsured Casualty.** In the event of any damage to or destruction of the Premises, or any Improvements located thereon (other than the Excluded Conditions and the Seawall, except to the extent damage thereto is caused by the Lessee, its

agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee), Lessee shall, except as otherwise expressly provided in this Section 10.5, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.5, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises (other than the Excluded Conditions and the Seawall) are substantially damaged or destroyed and such damage or destruction resulted from a cause not required to be insured against by this Lease (an "Uninsured Loss"), and where all of the following occur:

10.5.1 No more than one hundred (100) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include both a copy of Lessee's notification to the Encumbrance Holder, if any, of Lessee's intention to exercise this option to terminate and Lessee's certification under penalty of perjury that Lessee has delivered or mailed such notification to the Encumbrance Holder in accordance with this subsection 10.5.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee's desire to terminate this Lease.

10.5.2 No more than sixty (60) days following the giving of the notice required by subsection 10.5.1 or such longer time as may be reasonable under the circumstances, Lessee shall, at Lessee's expense: remove all debris and other rubble from the Premises; secure the Premises against trespassers; and, at County's election, remove all remaining Improvements on the Premises.

10.5.3 No more than sixty (60) days following the loss, Lessee delivers to County a quitclaim deed to the Premises in recordable form, in form and content satisfactory to County and/or with such other documentation as may be reasonably requested by County or any title company on behalf of County, terminating Lessee's interest in the Premises and reconveying such interest to County free and clear of any and all Encumbrances and Subleases.

10.5.4 Within ten (10) days following the County's receipt of the notice referred to in subsection 10.5.1, County has not received both written notice from the Encumbrance Holder, if any, objecting to such termination and an agreement containing an effective assignment of Lessee's interest in this Lease to such Encumbrance Holder whereby such Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee's obligations under this Lease.

10.6 No Option to Terminate for Insured Casualty. Lessee shall have no option to terminate this Lease or otherwise be relieved of its obligation to restore the Improvements on the Premises where the damage or destruction results from a cause required to be insured against by this Lease.

10.7 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises; provided, however, that Director shall in its good faith discretion consider the application of funds toward the maintenance, repair and replacement of the existing seawall protecting the Premises (the “Seawall”) if and to the extent such funds are made available to Director for such uses by County and its Board of Supervisors. Director shall undertake such maintenance, repair and replacement, if any, with due diligence consistent with the funding provided. In the event the Seawall is in imminent danger of collapse or has collapsed, Director shall promptly seek funding from the Board of Supervisors for repair or replacement as may be necessary to avoid or repair such collapse. If County is obligated to maintain or repair the Seawall under the terms of a lease between the County and any other lessee in Marina del Rey, or if County in fact maintains or repairs the Seawall for the benefit of any other lessee in Marina del Rey, County shall have the same obligation(s) with respect to the Seawall protecting the Premises. Except as expressly provided in this Section 10.7, County shall have no obligation to maintain or repair the Seawall.

10.8 Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, Director may notify Lessee of said failure in writing, and should Lessee fail to cure said failure and make repairs or replacements within a reasonable time as established by Director, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against Lessee as provided in Section 13.5.

10.9 Other Repairs. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.9 and any entry onto the Premises to perform work on the Seawall pursuant to Section 10.7 above, shall be made in accordance with the following requirements: (i) prior to entry onto the Premises County shall cause each of its contractors to provide to Lessee evidence that such contractor has procured commercial general liability insurance coverage pertaining to such contractor’s activities on the Premises, which insurance coverage shall be consistent with County’s insurance requirements generally applicable to County contractors, and shall name Lessee as an additional insured; (ii) County’s contractors shall comply with industry standard safety requirements; (iii) County shall repair, or cause its contractors to repair, any damage to the Premises caused by the activities of County and/or its contractors on the Premises pursuant to this Section 10.9 or Section 10.7 above; and (iv) any entry onto the Premises by County or its contractors for the purpose of performing work pertaining to the Seawall shall be confined to the Promenade and the fire access lane over the Premises, except in extraordinary circumstances to the extent that due to the scope or nature of the work and/or due to safety concerns, the work cannot reasonably be confined to such area. In any such extraordinary situation County and Lessee agree to cooperate to define a work and/or access area that is reasonably acceptable to both parties.

10.10 Notice of Damage. Lessee shall give prompt notice to County of any fire or material damage affecting the Premises from any cause whatsoever.

10.11 Waiver of Civil Code Sections. The parties’ rights shall be governed by this Lease in the event of damage or destruction. The parties hereby waive the provisions of



California Civil Code Section 1932 and any other provisions of law which provide for contrary or additional rights.

## 11. ASSIGNMENT AND SUBLEASE.

### 11.1 Subleases.

11.1.1 Definition. The term “Sublease” shall mean any lease, license, permit, concession or other interest in the Premises, or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee’s interest under this Lease. “Sublessee” shall be the person or entity to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess or use all or substantially all of the Premises is sometimes referred to in this Lease as a “Major Sublease” and the Sublessee under such agreement is sometimes referred to in this Lease as a “Major Sublessee”.

11.1.2 Approval Required. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease or an Approved Apartment/Slip Lease (as defined below), or of any assignment or material amendment of such Sublease, Lessee shall submit a copy of such Sublease (or assignment or amendment thereof), to Director for approval, which approval shall not be unreasonably withheld. To the extent practical, Director shall approve or disapprove said proposed Sublease, amendment or assignment within thirty (30) days after receipt thereof. In no event, however, shall any such Sublease, amendment or assignment be made or become effective without the prior approval of Director. Each such Sublease shall specifically provide that the Sublessee shall comply with all of the terms, covenants, and conditions of this Lease applicable to the portion of the Premises subject to the Sublease.

Notwithstanding any contrary provision of this Article 11, Lessee shall not be required to obtain County’s approval of any Sublease of an individual apartment or boat slip unit in the ordinary course (but not the master lease of multiple units) to a person or persons who will physically occupy the subleased unit, as long as such Sublease is in the form of the standard residential apartment lease or boat slip lease, as the case may be, hereafter submitted to and approved by County and the term of such Sublease does not exceed twelve (12) months (each, an “Approved Apartment/Slip Lease”). The terms and provisions of Sections 11.2 and 11.3 of this Lease shall not be applicable to Approved Apartment/Slip Leases. Upon request by County, Lessee shall furnish County with a current rent roll respecting the Approved Apartment/Slip Leases and a copy of all of such Approved Apartment/Slip Leases.

11.1.3 Major Sublease. Lessee shall enter into a Major Sublease only with a reputable owner or manager of comparable residential apartment and marina facilities such as exist on the Premises. In light of the inherent detailed nature of a Major Sublease, Lessee shall deliver to County a copy of any proposed Major Sublease, or any sub-sublease or any other document pursuant to which an interest is proposed to be transferred in all or substantially all of the Premises, not less than sixty (60) days prior to

the proposed effective date of such proposed Major Sublease or other document, for County's review and approval pursuant to the procedures and requirements specified in Section 11.2.

11.2 Approval of Assignments and Major Subleases. Except as specifically provided in this Article 11, Lessee shall not, without the prior written consent of County, which shall be based upon factors described in Exhibit C hereto, which is incorporated herein by this reference ("Assignment Standards"), and which shall be applied in a commercially reasonable manner, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein (including without limitation the right to manage or otherwise operate the Improvements located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of the all or substantially all of the Premises. Notwithstanding the foregoing, Lessee shall have the right, without the prior approval of County, to retain an affiliate of Lessee as the property manager for the Premises. Any Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee (as opposed to an assignment of the Lease) shall not require County consent if it is an Excluded Transfer. If such Change of Ownership with respect to beneficial ownership interests is not an Excluded Transfer, then it shall require County's consent as if it constituted an assignment of Lessee's interest in this Lease. For avoidance of doubt, any actual assignment of Lessee's interest in this Lease shall require County consent even if it is an Excluded Transfer; provided, however, that in the case of an assignment of the Lessee's interest in the Lease that constitutes an Excluded Transfer, Director shall have the authority to grant consent on behalf of County. In addition, for purposes of this provision, the following acts of Lessee (except for Excluded Transfers) shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (b) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; or (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock, partnership interests or limited liability company interests in an entity which owns, or is a general partner or managing member of an entity which owns, an interest in this Lease; provided, however, that with respect to any sale, assignment or transfer of an AIG Entity or ownership interests therein, the phrase "fifty percent (50%) or more" in clause (2) above shall be changed to "more than fifty percent (50%)." Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the matters provided herein requiring County's consent. These same limitations and approval requirements as to Lessee's interest under the Lease shall also apply with respect to the Sublessee's interest under a Major Sublease.

11.2.1 County's Use of Discretion and Limitation on Permissible Assignees. In exercising its discretion to approve assignments as provided in this Section 11.2, County shall take into account the Assignment Standards and, if County determines that such Assignment Standards are satisfied, County shall not withhold or unreasonably delay its consent to any proposed assignment.

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any of the Lessee's interest in this Lease (as opposed to ownership interests in Lessee itself) shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

11.2.3 Procedure. Requests for approval of any proposed assignment shall be processed in accordance with the following procedures:

11.2.3.1 Prior to entering into any agreement requiring the approval of County pursuant to Sections 11.1 or 11.2, Lessee (or the entity seeking approval of such assignment) shall notify County and deliver to County all information relevant to the proposed assignment, including without limitation any term sheets, letters of intent, draft Major Subleases, any other documents which set forth any proposed agreement regarding the Premises and the information set forth in subsection 11.2.3.5. County will evaluate the information provided to it and County may request additional information as may be reasonably necessary to act on the request. Under no circumstances will County formally discuss an assignment with any proposed assignee prior to reviewing the proposal with Lessee.

11.2.3.2 In completing its review of the proposal and granting or withholding its consent thereto, County will not be bound by any deadline contained in any proposed assignments, Major Subleases, escrow instructions or other agreements to which County is not a party.

11.2.3.3 Lessee acknowledges that the time needed for County to review a proposed assignment depends on many factors, including without limitation the complexity of the proposed transaction, the financial and other information submitted for review, and the workload of County's personnel. Notwithstanding the foregoing, County shall act as promptly as governmental processes permit in processing and acting upon a requested approval of an assignment of Lessee's interest under this Article 11.

11.2.3.4 Lessee shall be required to reimburse County for its Actual Costs incurred in connection with the proposed assignment, whether or not County ultimately grants its approval to the proposed assignment (without duplication with any Administrative Charge payable under Section 4.6).

11.2.3.5 Lessee or the proposed assignee shall provide County with sufficient information for County to determine if the public interest will be served by approving the proposed transaction. The information that must be provided includes, but shall not be limited to, the following:

(a) Nature of the Assignee. Full disclosure is required in accordance with this Lease and County's applicant disclosure policy then in effect. Additionally, a flowchart

identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County's disclosure policy, has had any leasehold or concessionaire's interest canceled or terminated by the landlord due to the tenant or Lessee's breach or default thereunder.

(b) Financial Condition of Assignee. County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee's financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) Financial Analysis. County shall be provided with the proposed assignee's financing plan for the operation of the Premises (unless the assignment is pursuant to a Change of Ownership that is an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the financing plan for the operation and improvement of the Premises) and for any contemplated improvement thereof, demonstrating such proposed assignee's financial capability to so operate the Premises and construct such improvements. Such financing plan shall include, but not be limited to, information detailing (1) equity capital; (2) sources and uses of funds; (3) terms of financing; (4) debt service coverage and ratio; and (5) loan to value ratio. The proposed assignee shall also provide County with documentation demonstrating such proposed assignee's financial viability, such as letters of commitment from financial institutions which demonstrate the availability of sufficient funds to complete any proposed construction or improvements on the Premises. Further, such proposed assignee shall authorize the release of financial information to County from financial institutions relating to the proposed assignee or other information supplied in support of the proposed assignment.

(d) Business Plan. County shall be provided with the proposed assignee's business plan for the Premises (unless the assignment is pursuant to a Change of Ownership that constitutes an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the business plan for the Premises), including pro forma financial projections for the Premises for the five (5) year period beginning upon the commencement of the proposed assignment. Such pro forma projections will include capital costs, income and expenses, as well as debt service and all other payments to providers of debt and equity, and will be accompanied by a statement of basic assumptions and an identification of the sources of the data used in the production of such projections.

(e) Assignor's Financial Statements. County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning

the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

(f) Cure of Defaults. County shall be provided with the proposed assignee's specific plans to cure any and all delinquencies under this Lease which may be identified by County, whether identified before or after the date of the proposed assignment.

(g) Prospectus Materials. County shall be provided with any materials distributed to third parties relating to the business of the proposed assignee to be conducted on, from or relating to the Premises.

(h) Other Information. County shall be provided with a clear description of the terms and conditions of the proposed assignment, including a description of the proposed use of the Premises and any proposed alterations or improvements to the Premises. Additionally, County shall be provided with any and all other information which it reasonably requests of Lessee to assist in its review of the proposed transaction, including without limitation materials pertinent to the issues noted in this subsection to the extent that they exist, such as escrow instructions, security agreements, personal property schedules, appraisals, market reports, lien releases, UCC Statements, preliminary title reports, management agreements affecting the Premises, contracts in excess of \$25,000 affecting the Premises, schedules of pending or threatened litigation, and attorneys' closing opinions relating to Lessee, the proposed assignee or the Premises. County shall endeavor to keep the foregoing materials confidential, subject to the Public Records Act and other Applicable Laws.

11.2.3.6 Nondisturbance. At the request of Lessee, County shall agree to execute a subordination, nondisturbance and attornment agreement and a ground lessor's estoppel certificate on commercially reasonable terms in favor of any Major Sublessee.

11.2.3.7 Final Documents. Prior to granting its approval over any proposed assignment, County shall be provided with an executed Assignment and Acceptance of Assignment in form and content as approved or supplied by the County. Ten (10) copies of each must be submitted to County, of which five (5) shall be signed originals and properly acknowledged.

11.2.4 County Right to Recapture. The terms and provisions of this subsection 11.2.4 shall be applicable only on and after March 1, 2021 and continuing during the remaining Term of the Lease. If Lessee proposes to assign its interest in this Lease or the Premises, or proposes to enter into any Major Sublease affecting the Premises (with either such proposed transaction herein referred to as a "Proposed Transfer"), on or after March 1, 2021, it shall provide County with written notice of such desire and the sale price ("Lessee Sale Price") at which it is willing to consummate the Proposed Transfer. Within thirty (30) days thereafter, the County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said thirty (30) day period, Lessee may continue to market the interest subject to the Proposed Transfer, provided that such

interest is offered subject to County's rights as provided herein. In the event that, prior to the expiration of said thirty (30) day period, County has given notice to Lessee that it has elected to acquire said option, Lessee shall deliver to County an assignable option to purchase the interest subject to the Proposed Transfer ("County Option") at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, County shall pay to Lessee at the expiration of the County Option period (or, at County's election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum (the "County Option Price") which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County's election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to cause Lessee to issue the County Option within said thirty (30) day period or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then during the nine (9) month period following the later of (a) or (b), Lessee shall be entitled to enter into an agreement to consummate the Proposed Transfer with a third party (subject to County's approval rights as otherwise set forth in this Lease) so long as (1) the actual price for the Proposed Transfer is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material terms to the assignee, and (2) the transfer is consummated not later than twelve (12) months after the later of (a) or (b). In the event of a proposed Major Sublease or other permitted assignment of less than all of the Premises, County's election shall pertain to such portion of the Premises subject to the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced, Lessee's obligation to pay Percentage Rent and Supplemental Percentage Rent shall pertain only to the amounts derived from the portion of the Premises retained by Lessee, and if the portion of the Premises acquired by County includes apartment units, then the Apartment Gross Receipts Thresholds and Cumulative Apartments Gross Receipts Thresholds set forth on Exhibit G shall be adjusted to reflect the removal from the Premises of the apartment units recaptured by County. In the event that County elects to recapture all or any portion of the Premises as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination. County's rights pursuant to this subsection 11.2.4 shall not apply to Financing Events or those events identified in subsection 4.6.2 of this Lease.

11.2.5 County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent,

Percentage Rent, Supplemental Percentage Rent and all other amounts payable under the Lease, if any (including a provisional credit in an amount reasonably acceptable to County for any amounts that may arise from an audit by County, but that have not yet been determined as of that date), with late fees and interest as provided herein, from the end of the period most recently subject to County audit through the date of the purchase of the interest by County. In the case of any unpaid rental amounts that may be found to be owing to County in connection with any uncompleted audit by County, in lieu of a provisional credit for such amounts, Lessee may provide County with a letter of credit or other security satisfactory to County to secure the payment of such unpaid amounts when finally determined by County. During the term of the County Option, Lessee shall cause to be available to County all books and records reasonably necessary in order to determine the amount of such unpaid Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other amounts payable under the Lease. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

11.3 Terms Binding Upon Successors, Assigns and Sublessees. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by Lessee hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of Lessee, and all rights, privileges and benefits arising under this Lease in favor of Lessee shall be available in favor of its heirs, executors, administrators, successors, and assigns. Notwithstanding the foregoing, no assignment or subletting by or through Lessee in violation of the provisions of this Lease shall vest any rights in any such assignee or Sublessee. Any approved assignment of this Lease shall release the assignor of all liability arising due to actions or omissions on or after the effective date of such assignment, provided the assignee assumes all of such liability, including without limitation the obligation of assignee to cure any defaults and delinquencies under this Lease and to pay County Percentage Rent, Supplemental Percentage Rent and any other amounts attributable to the period prior to the assignment, but not discovered by County or the assignee until after the assignment; provided, further, the assignor shall not be relieved of any liability for the payment of the Administrative Charge or the required portion of any Net Proceeds Share or Net Refinancing Proceeds which arise upon such assignment as provided herein.

11.4 Family Transfers. Notwithstanding any contrary provision of this Article 11, the County's approval shall not be required, nor shall the County's rights of recapture under subsection 11.2.4 be applicable, with respect to any transfer of ownership interests in Lessee or in constituent entities of Lessee, if such transfer is to a member of the immediate family of the transferor (or to a trust for the benefit of a member of the immediate family of the transferor) for estate planning purposes, whether such transfer is the result of gift, devise, intestate succession or operation of law.

11.5 Property Management. Notwithstanding any contrary provision of this Article 11, Lessee shall be permitted to hire one or more management companies of its choosing for

property management of the Premises and/or may conduct such property management activities using its own staff. Any management company hired by Lessee to perform property management of the Premises shall at the time of such engagement (a) have at least five (5) years' of experience in the operation and management of at least 2,000 rental apartments, without material violations of law or discrimination, and (b) have a valid license to manage residential dwelling units issued by the California Department of Real Estate (or its successor). To the extent Lessee uses Lessee's own staff for property management of the Premises, Lessee's own staff at the time of such engagement shall have at least (i) five (5) years' of experience in the operation and management of at least 2,000 rental apartments, without material violations of law or discrimination, and (ii) have a valid license to manage residential dwelling units issued by the California Department of Real Estate (or its successor).

## 12. ENCUMBRANCES.

### 12.1 Financing Events.

12.1.1 Definitions. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof: (i) a "Financing Event" shall mean any financing or refinancing consummated by Lessee or by the holders of partnership interests or other direct or indirect ownership interests in Lessee (collectively, "Ownership Interests"), whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below); for purposes of Section 12.1.2 below and Sections 4.6 through 4.8 above, a "Financing Event" shall also include all of the foregoing actions involving the granting of a mortgage, deed of trust or other security interest in a Major Sublease; and (ii) an "Encumbrance" shall mean any direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance, of or in all or any portion of (A) Lessee's interest under this Lease and the estate so created (including without limitation a direct or indirect assignment of Lessee's right to receive rents from subtenants) or (B) Ownership Interests if an absolute assignment from the holder of such Ownership Interests to the holder of the Encumbrance would have required County's consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the "Encumbrance Holder") as security for a loan. The term "Encumbrance Holder" shall also be deemed to include any and all affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance, or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the leasehold estate under this Lease or to Ownership Interests, and such affiliates shall enjoy all of the rights and protections given to Encumbrance Holders under this Lease. The term "Equity Encumbrance Holder" shall mean an Encumbrance Holder holding an Encumbrance with respect to Ownership Interests.

12.1.2 County Approval Required. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific conditions which may be reasonably imposed by Director, consummate one or more Financing Event(s). Lessee shall submit to Director a preliminary loan package and



thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment (or the so-called "loan application" if the loan commitment is styled as a loan application) and any other documents, materials or other information reasonably requested by Director. Lessee shall have the right, but not the obligation, to include draft loan documents in the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Redevelopment Work) to grant or withhold approval of the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Redevelopment Work) after receipt of substantially complete loan documents conforming to the approved preliminary loan package in which to grant or withhold final approval of the Financing Event; provided, however, that if the preliminary loan package included draft loan documents then the foregoing sixty (60) day period shall be reduced to thirty (30) days. If not approved by Director in writing within the foregoing periods, the proposed Financing Event shall be deemed disapproved by Director (and, if so requested in writing by Lessee), Director shall within thirty (30) days of such request deliver to Lessee a written description of Director's objections to said proposed Financing Event). Lessee shall reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. The same rights and obligations set forth above in this subsection 12.1.2 shall inure to the benefit of and shall be binding upon any holder of Ownership Interests with respect to any proposed Financing Event involving Ownership Interests.

## 12.2 Consent Requirements In The Event of a Foreclosure Transfer.

12.2.1 Definitions. As used herein, a "Foreclosure Transfer" shall mean any transfer of the entire leasehold estate under this Lease or of all of the Ownership Interests in Lessee pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or with respect to an Encumbrance, or by voluntary deed or other transfer in lieu thereof. A "Foreclosure Transferee" shall mean any transferee (including without limitation an Encumbrance Holder) which acquires title to the entire leasehold estate under this Lease or to all of the Ownership Interests in Lessee pursuant to a Foreclosure Transfer. An "Equity Foreclosure Transferee" shall mean a Foreclosure Transferee whose acquired interest consists of all of the Ownership Interests in Lessee.

12.2.2 Foreclosure Transfer. The consent of County shall not be required with respect to any Foreclosure Transfer.

12.2.3 Subsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of this Lease or the Ownership Interests (as applicable) by such Encumbrance Holder to any third party, (i) County's consent to such transfer shall be required, but shall not be unreasonably withheld or delayed, and the scope of such consent (notwithstanding anything in this Lease to the contrary) shall be limited to County's confirmation (which must be reasonable) that the Lessee following such transfer

has sufficient financial capability to perform its remaining obligations under this Lease as they come due, along with any obligation of Lessee for which the Foreclosure Transferee from whom its receives such transfer is released under subsection 12.3.1 below, and (ii) such transferee (other than a transferee of Ownership Interests) shall expressly agree in writing to assume and to perform all of the obligations under this Lease, other than Excluded Defaults (as defined below). For clarification purposes, the right to a single transfer under this Section shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, so that there may be more than one "single transfer" under this Section.

12.3 Effect of Foreclosure. In the event of a Foreclosure Transfer, the Encumbrance Holder shall forthwith give notice to County in writing of such transfer setting forth the name and address of the Foreclosure Transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made.

12.3.1 Any Encumbrance Holder which is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial real estate loans, including any affiliate thereof (an "Institutional Lender"), shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults as defined below) accruing during its period of ownership of the leasehold. Upon a subsequent transfer of the leasehold in accordance with subsection 12.2.3 above, such Institutional Lender shall be automatically released of any further liability with respect to this Lease, other than for (i) rent payments, property tax payments, reserve account payments and other monetary obligations under specific terms of the Lease that accrue solely during such Institutional Lender's period of ownership of the leasehold, and (ii) Lessee's indemnification obligations under this Lease with respect to matters pertaining to or arising during such Institutional Lender's period of ownership of leasehold title.

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Section 12.3.1 above) shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults), subject to possible release of liability upon a subsequent transfer pursuant to Section 11.3 above.

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is an incurable non-monetary default, (ii) is a non-monetary default that can only be cured by a prior lessee, (iii) is a non-monetary default that is not reasonably susceptible of being cured by such transferee, or (iv) relates to any

obligation of a prior lessee to pay any Net Proceeds Share (collectively, "Excluded Defaults"), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Section 12.3.7 below, following any Foreclosure Transfer which is a transfer of Ownership Interests, the foregoing rights under this Section 12.3.3 shall also inure to the benefit of the Lessee.

12.3.4 No Encumbrance Holder shall become liable for any of Lessee's obligations under this Lease unless and until such Encumbrance Holder becomes a Foreclosure Transferee with respect to Lessee's leasehold interest under the Lease.

12.3.5 No Foreclosure Transfer, and no single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to subsection 12.2.3, shall trigger (i) any obligation to pay an Administrative Charge nor any Net Proceeds Share, (ii) any acceleration of the Extension Fee or any other financial obligation of Lessee under this Lease, (iii) any recapture right on the part of County, or (iv) any termination right under this Lease. Any Foreclosure Transfer, and any single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to subsection 12.2.3, shall be deemed to be excluded from the definition of "Change of Ownership" for all purposes of this Lease. For clarification purposes, the "single subsequent transfer" referred to above applies to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder (as more fully explained in Section 12.2.3), so that there may be more than one "single subsequent transfer" benefited by this Section.

12.3.6 In the event that an Institutional Lender becomes a Foreclosure Transferee, all obligations with respect to the construction and renovation work described in Sections 5.1, 5.2 or 5.13 above (other than any obligations to make deposits into the Renovation Fund) shall be tolled for a period of time, not to exceed twelve months, until such Institutional Lender completes a subsequent transfer of its foreclosed interest in the Lease or Ownership Interests, provided that such Institutional Lender is making commercially reasonable and diligent efforts to market and sell its foreclosed interest. Nothing in this Section 12.3.6 shall be construed as a limit or outside date on any cure periods provided to Encumbrance Holders under this Lease.

12.3.7 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.

12.4 No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Minimum Rent, Percentage Rent and Supplemental Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

12.5 Modification or Termination of Lease. This Lease shall not be modified or amended without the prior written consent in its sole discretion of each then existing Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee. Further, this Lease may not be surrendered or terminated (other than in accordance with the provisions of this Article 12) without the prior written consent of each such Encumbrance Holder in its sole discretion. No such modification, amendment, surrender or termination without the prior written consent of each such then existing Encumbrance Holder shall be binding on any such Encumbrance Holder or any other person who acquires title to its foreclosed interest pursuant to a Foreclosure Transfer.

12.6 Notice and Cure Rights of Encumbrance Holders and Major Sublessees.

12.6.1 Right to Cure. Each Encumbrance Holder and Major Sublessee shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, and in accordance with the provisions of this Article 12, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.

12.6.2 Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 10.4 in the case of emergency situations), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.4.

12.6.3 Manner of Curing Default. Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

(a) If the Event of Default is in the payment of rental, taxes, insurance premiums, utility charges or any other sum of money, an Encumbrance Holder or the Major Sublessee may pay the same, together with any Late Fee or interest payable thereon, to County or other payee within thirty five (35) days after its receipt of the aforesaid notice of default. If, after such payment to County, Lessee pays the same or any part thereof to County, County shall refund said payment (or portion thereof) to such Encumbrance Holder or Major Sublessee.

(b) If the Event of Default cannot be cured by the payment of money, but is otherwise curable, the default may be cured by an Encumbrance Holder or Major Sublessee as follows:

(1) The Encumbrance Holder or Major Sublessee may cure the default within sixty (60) days after the end of Lessee's cure period as provided in Section 13.1 hereof (or, if the default involves health, safety or sanitation issues, County may by written notice reduce such sixty (60) day period to thirty (30) days, such 60 or 30 day period, as applicable, being referred to herein as the "initial cure period"), provided, however, if the curing of such default reasonably requires activity over a longer period of time, the initial cure period shall be extended for such additional time as may be reasonably necessary to cure such default, so long as the Encumbrance Holder or Major Sublessee commences a cure within the initial cure period and thereafter continues to use due diligence to perform whatever acts may be required to cure the particular default. In the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's initial cure period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure

Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

## 12.7 New Lease.

12.7.1 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within sixty (60) days after such Encumbrance Holder has received the above-described written notice from the County. Within a reasonable period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in subsection 12.2.3 above, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

12.7.2 Priority of New Lease. The new lease made pursuant to this Section 12.7 shall be prior to any mortgage or other lien, charge or encumbrance on County's fee interest in the Premises, and any future fee mortgagee or other future holder of any lien on the fee interest in the Premises is hereby given notice of the provisions hereof.

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of (i) any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease), and (ii) any funds required to be held in the Renovation Fund (provided that such funds shall be used for the purposes required by this Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

12.9 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder shall have the right to intervene and become a party in any arbitration, litigation, condemnation or other proceeding affecting this Lease. Lessee's right to make any election or decision under this Lease with respect to any condemnation settlement, insurance settlement or restoration of the Premises following a casualty or condemnation shall be subject to the prior written approval of each then existing Encumbrance Holder.

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

12.11 No Merger. Without the written consent of each Encumbrance Holder, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee and leasehold interests are held at any time by the same person or entity.

12.12 Rights of Encumbrance Holders With Respect to Reversion. As used in this Section 12.12, the "Reversion" refers to the automatic amendment of this Lease described in subsection 5.1.3 whereby the terms and conditions of this Lease are automatically amended and revert back to the terms and provisions of the Existing Lease, and a "Reversion Condition" refers to any of the conditions under which the Reversion will occur, namely (i) the failure of Lessee to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or (ii) the failure of Lessee to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such date may be extended pursuant to Sections 5.6 or 5.7). Notwithstanding anything in subsection 5.1.3 or any other provision of this Lease to the contrary, so long as an Encumbrance Holder exists with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in

Lessee, the Reversion shall not occur unless and until (i) the County has given written notice of the occurrence of the Reversion Condition to each such Encumbrance Holder in accordance with subsection 12.6.2 (which notice shall describe the Reversion Condition that has occurred, and shall include the following statement in all capital and bold letters: **"YOUR FAILURE TO COMMENCE A CURE OF THE DEFAULT DESCRIBE IN THIS NOTICE WITHIN 60 DAYS OF YOUR RECEIPT OF THIS NOTICE, AND TO THEREAFTER PURSUE SUCH CURE TO COMPLETION IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION 12.6.3(b) OF THE LEASE APPLICABLE TO NONMONETARY DEFAULTS, WILL RESULT IN AN AUTOMATIC AMENDMENT AND REVERSION OF THE TERMS OF THE LEASE BACK TO THE TERMS OF A PRIOR LEASE, AS MORE PARTICULARLY DESCRIBED IN SUBSECTION 5.1.3 OF THE LEASE"**), and (ii) no such Encumbrance Holder commences a cure of the default within 60 days of its receipt of such notice and thereafter pursues such cure to completion in accordance with the provisions of subsection 12.6.3(b) of the Lease applicable to nonmonetary defaults. Further, in the event that a Reversion occurs, such Reversion shall be subject to the "new lease" provisions of Section 12.7 of the Lease (and in such event the Reversion shall be deemed a "termination" of this Lease solely for purposes of Section 12.7 and the "new lease" to be entered into pursuant to Section 12.7 shall mean a new lease on the same terms as this Lease, not the Existing Lease).

12.13 Acceleration of Extension Fee. So long as (i) no Event of Default exists based on nonpayment of an individual Extension Payment (even if any other Event of Default exists that is not based on nonpayment of an individual Extension Payment), or (ii) if an Event of Default exists based on nonpayment of an individual Extension Payment, an Encumbrance Holder, Foreclosure Transferee or the single subsequent transferee of a Foreclosure Transferee pursuant to subsection 12.2.3 cures such Event of Default by paying to County all past-due individual Extension Payments together with any default interest and/or Late Fees that may be owing thereon; then County shall not declare the entire remaining unpaid Extension Fee immediately due and payable, or, if County has previously declared the entire remaining unpaid Extension Fee immediately due and payable, County shall rescind such acceleration and permit the reinstatement of the original payment terms of the Extension Fee (i.e., by annual Extension Payments).

[12.14 Supplemental Agreement With Initial Encumbrance Holders. County, Lessee, and the initial Encumbrance Holder(s) of this Lease [i.e., (i) \_\_\_\_\_ (holder of an Encumbrance which encumbers Lessee's leasehold interests under this Lease) and (ii) \_\_\_\_\_ (holder of an Encumbrance which encumbers all of the Ownership Interests in Lessee)], have entered into a Ground Lessor's Consent and Agreement of substantially even date with this Lease which will be recorded in the Official Records of Los Angeles County, containing (among other things) provisions that alter and supplement certain provisions of this Article 12 and other provisions of the Lease (the "Ground Lessor's Consent and Agreement"). For so long as such initial Encumbrances are outstanding, this Article 12 (and any other provisions of this Lease, to the extent applicable) shall be subject to the provisions of the Ground Lessor's Consent and Agreement, and the provisions of the Ground Lessor's Consent and Agreement shall govern in the event of any conflicts with this Lease.]

### 13. DEFAULT.



13.1 Events of Default. The following are deemed to be “Events of Default” hereunder:

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, Extension Payments or deposits to the Renovation Fund or Capital Reserve Fund), within ten (10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, if any, within such ten (10) day period.

13.1.2 Maintenance of Security Deposit. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 7 of this Lease if not cured within five (5) days after written notice of such failure.

13.1.3 Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee’s failure to perform from Director; provided, however, that where Lessee’s performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time. Notwithstanding any contrary provision of this Section 13.1.3, the proviso set forth in the immediately preceding sentence providing for an extension of the cure period beyond thirty five (35) days shall not be applicable to any failure of Lessee to comply with the Required Construction Commencement Date and/or the Required Construction Completion Date set forth in subsection 5.1.3 above (as such dates may extended pursuant to Sections 5.6 or 5.7, and subject to Section 12.12).

13.1.4 Nonuse of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days after written notice by Lessor, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including 13.1.3 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

13.2 Limitation on Events of Default. Lessee shall not be considered in default as to any provision of this Lease when such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body of competent jurisdiction, or any other circumstances which are physically impossible to cure provided Lessee uses due diligence in pursuing whatever

is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.6 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 Terminate Lease. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination under this subsection shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in subsection 13.4.3, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, and shall permit such access to the Premises as is reasonably necessary to permit Lessee to comply with its removal obligations.

13.3.2 Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises and allows Lessee to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and bring suit from time to time for rent and other sums due, and for Lessee's breach of other covenants and agreements herein. No act by or on behalf of County under this provision shall constitute a termination of this Lease unless County gives Lessee written notice of termination. It is the intention of the parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

13.3.3 Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to subsection 13.3.2, thereafter County may elect to terminate this Lease and all of Lessee's rights in or to the Premises unless prior to such termination Lessee shall have cured the Event of Default or shall have satisfied the provisions of Section 13.2, hereof. County agrees to use reasonable efforts to mitigate damages.

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

13.4.2 Post-Termination Rent. The worth, at the time of the award, of the unpaid rent that would have been earned under this Lease after the date of termination of this Lease until the date Lessee surrenders possession of the Premises to County; and

13.4.3 Other Amounts. The amounts necessary to compensate County for the sums and other obligations which under the terms of this Lease become due prior to, upon or as a result of the expiration of the Term or sooner termination of this Lease, including without limitation, those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession, the cost of removal of rubble, debris and other above-ground Improvements, attorney's fees, court costs, and unpaid Administrative Charges, Net Proceeds Shares and Net Refinancing Proceeds.

13.5 Others' Right to Cure Lessee's Default. County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this section), at any time after Lessee's failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee's cost and expense. If, after delivering to Lessee two (2) or more written notices with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars (\$1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6 Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any provision or provisions of this Lease shall not exceed the value of County's equity interest in the Premises and its right to insurance proceeds in connection with the policies required under Article 9 hereof.

#### 14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of

original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or sublessee's or licensee's, as appropriate) other business operations, if any. With respect to the calculation of Gross Receipts and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) delinquent rents due from individual tenants (but not corporate tenants) is not accrued, (B) expenses are accrued on an approximate basis (i.e., materiality) each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

14.2 Cash Registers. To the extent retail sales are conducted on the Premises, or other cash or credit sales of goods or services are conducted, all such sales shall be recorded by means of cash registers or computers which automatically issue a customer's receipt or certify the amount recorded in a sales slip. Said cash registers shall in all cases have locked-in sales totals and transaction counters which are constantly accumulating and which cannot, in either case, be reset, and in addition thereto, a tape (or other equivalent security mechanism) located within the register on which transaction numbers and sales details are imprinted. Beginning and ending cash register readings shall be made a matter of daily record.

Lessee shall cause to be implemented point of sale systems which can accurately verify all sales for audit purposes and customer review purposes, which system shall be submitted to the Director in advance of installation for his approval, which approval will not be unreasonably withheld or delayed.

Lessee's obligations set forth in this Section 14.2 include Lessee's obligation to insure that Lessee's sublessees, licensees, permittees, concessionaires and any other occupants of any portion of the Premises keep records sufficient to permit County and County's auditors to determine the proper levels of Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Gross Receipts during the preceding calendar month, together with its calculation of the amount payable to County under Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Gross Receipts derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

14.5 Cost of Audit. In the event that, for any reason, Lessee does not make available its (or its sublessee's or licensee's) original records and books of account at the Premises or at a location within Los Angeles County, Lessee agrees to pay all expenses incurred by County in conducting any audit at the location where said records and books of account are maintained. In the event that any audit discloses a discrepancy in County's favor of greater than two percent (2%) of the revenue due County for the period audited, then Lessee shall pay County audit contract costs, together with the amount of any identified deficiency, with interest thereon and Late Fee provided by Section 4.5.

14.6 Additional Accounting Methods. Upon written notice from County, County may require the installation of any additional accounting methods or machines which are typically used by major residential and/or boat anchorage management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

14.7 Accounting Year. The term "Accounting Year" as used herein shall mean each calendar year during the Term.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, Lessee shall deliver to County the following financial statements: (i) a balance sheet of Lessee as of the end of such Accounting Year, certified by Lessee's chief financial officer as accurately reflecting Lessee's assets and liabilities, which balance sheet shall not be required to be audited, provided that at County's request not more often than every two years, such balance sheet shall be audited by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County (a "Qualified CPA"); (ii) a profit and loss statement of Lessee for such Accounting Year, audited and certified by a Qualified CPA; and (iii) a Gross Receipts, Percentage Rent and Supplemental Percentage Rent statement for such Accounting Year, audited and certified by a Qualified CPA, which statement shall include a certification and unqualified opinion of such Qualified CPA (1) concerning Lessee's Gross Receipts (including a breakdown by category), and (2) that the correct amounts of Percentage Rent and Supplemental Percentage Rent have been paid to the County in connection with such Gross Receipts. All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all sublessees, licensees, concessionaires and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records and the delivery to County of audited certified financial

statements and unqualified opinions as to Gross Receipts. County shall provide written notice to Lessee of the failure of any sublessee, concessionaire or other person to comply with this subsection after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such sublessee, concessionaire or other person and accepted by County, or as otherwise determined pursuant to Section 14.10. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such sublessee, concessionaire or other person, to the extent Lessee does not have a direct right of enforcement against sublessee, concessionaire or other person.

14.10 Inadequacy of Records. In the event that Lessee or its sublessees, licensees or concessionaires, as appropriate, fails to keep the records required by this Article 14 such that a Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach, County may prepare a calculation of the Percentage Rent and Supplemental Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage Rent and Supplemental Percentage Rent due, if any, Lessee shall pay such Percentage Rent and Supplemental Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent and Supplemental Percentage Rent were due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent and Supplemental Percentage Rent due.

## 15. MISCELLANEOUS.

15.1 Quiet Enjoyment. Lessee, upon performing its obligations hereunder, shall have the quiet and undisturbed possession of the Premises throughout the Term of this Lease, subject, however, to the terms and conditions of this Lease.

15.2 Time is of the Essence. Except as specifically otherwise provided for in this Lease, time is of the essence of this Lease and applies to all times, restrictions, conditions, and limitations contained herein.

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it. The parties acknowledge that Lessee has paid all Actual Costs incurred by County through \_\_\_\_\_, and has on deposit with County the sum of \$\_\_\_\_\_ toward costs incurred after \_\_\_\_\_. County shall deliver to Lessee a report detailing such expenditures (along with invoice summaries or other supporting documentation) within ninety (90) days after the Effective Date.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee acknowledges that it is currently in possession of the Premises and that Lessee or its predecessor-in-interest has continuously occupied and/or managed and operated the Premises since 1963. Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

15.4.1.2 Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make no demands upon County for any construction, alterations, or any kind of labor that may be necessitated in connection therewith.

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument. The waiver and release set forth in this subsection 15.4.1.3 (i) shall not apply to the Excluded Conditions, and (ii) shall not alter the parties' rights and obligations under the Existing Lease with respect to any abandoned wells or other environmental conditions existing on the Premises as of the Effective Date.

15.4.1.4 California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO  
CLAIMS WHICH THE CREDITOR DOES NOT KNOW  
OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME  
OF EXECUTING THE RELEASE, WHICH IF KNOWN  
BY HIM MUST HAVE MATERIALLY AFFECTED HIS  
SETTLEMENT WITH THE DEBTOR.

By initialing this paragraph, Lessee acknowledges that it has read, is familiar with, and waives the provisions of California Civil Code §1542 set forth above, and agrees to all of the provisions of subsection 15.4.1.3 above.

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Lessee's Initials

15.4.2 Right of Offset. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's construction, maintenance and repair obligations set forth herein, and, notwithstanding anything to the contrary provided in this Lease or by applicable law, Lessee hereby waives any and all rights, if any, to make repairs at the expense of County and to deduct or offset the cost thereof from the Annual Minimum Rent, Monthly Minimum Rent, Percentage Rent, Supplemental Percentage Rent or any other sums due County hereunder.

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent, Percentage Rent and Supplemental Percentage Rent in effect at the end of the Term shall be increased to one hundred twenty five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

15.6 Waiver of Conditions or Covenants. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms, and agreements of this Lease shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term, or agreement of this Lease, nor shall failure on the part of either party to require exact full and complete compliance with any of the covenants, conditions, terms, or agreements of this Lease be construed as in any manner changing the terms hereof or estopping that party from enforcing the full provisions hereof, nor shall the terms of this Lease be changed or altered in any manner whatsoever other than by written agreement of County and Lessee. No delay, failure, or omission of County to re-enter the Premises or of either party to exercise any right, power, privilege, or option, arising from any default, nor any subsequent acceptance of rent then or thereafter accrued shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right. No notice to Lessee shall be required to restore or revive "time of the essence" after the waiver by County of any default. Except as specifically



provided in this Lease, no option, right, power, remedy, or privilege of either party shall be construed as being exhausted by the exercise thereof in one or more instances.

15.7 Remedies Cumulative. The rights, powers, options, and remedies given County by this agreement shall be cumulative except as otherwise specifically provided for in this Lease.

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises in the case of an Event of Default, or in case of abandonment or vacation of the Premises by Lessee, Lessee hereby irrevocably authorizes County to enter upon the Premises and remove any and all persons and property whatsoever situated upon the Premises and place all or any portion of said property, except such property as may be forfeited to County, in storage for the account of and at the expense of Lessee.

Except to the extent arising out of or caused by the gross negligence or willful misconduct of County, Lessee agrees to indemnify, defend and save harmless County from any cost, expense, loss or damage arising out of or caused by any such entry or re-entry upon the Premises in the case of an Event of Default, including the removal of persons and property and storage of such property by County and its agents.

15.9 Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or delivered to the Department. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

15.10 Service of Written Notice or Process. Any notice required to be sent under this Lease shall be in compliance with and subject to this Section 15.10. If Lessee is not a resident of the State of California, or is an association or partnership without a member or partner resident of said State, or is a foreign corporation, Lessee shall file with Director a designation of a natural person residing in the County of Los Angeles, State of California, or a service company, such as CT Corporation, which is authorized to accept service, giving his or its name, residence, and business address, as the agent of Lessee for the service of process in any court action between Lessee and County, arising out of or based upon this Lease, and the delivery to such agent of written notice or a copy of any process in such action shall constitute a valid service upon Lessee.

If for any reason service of such process upon such agent is not possible, then any officer of Lessee may be personally served with such process outside of the State of California and such service shall constitute valid service upon Lessee; and it is further expressly agreed that Lessee is amenable to such process and submits to the jurisdiction of the court so acquired and waives any and all objection and protest thereto.

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested (or other similar evidence of delivery by overnight delivery service) and postage or other delivery charges prepaid, by registered or certified mail posted in

the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the expiration of the third (3rd) business day after such notice is sent from within Los Angeles County in the case of such registered or certified mail as authorized in this Section.

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

As of the date of execution hereof, the persons authorized to receive notice on behalf of County and Lessee are as follows:

COUNTY: Director  
Department of Beaches and Harbors  
Los Angeles County  
13837 Fiji Way  
Marina del Rey, California 90292  
Phone: 310/305-9522  
Fax: 310/821-6345

With a Copy to: Office of County Counsel  
Los Angeles County  
500 West Temple Street  
Los Angeles, California 90012  
Attn: County Counsel  
Phone: 213/974-1801  
Fax: 213/617-7182

LESSEE: Legacy Partners Neptune Marina L.P.  
30 Executive Park, Suite 100  
Irvine, California 92614  
Attention: Timothy O'Brien  
Phone: 949/930-7700  
Fax: 949/833-3062

With a Copy to: Cox, Castle & Nicholson LLP  
2029 Century Park East  
Suite 2100  
Los Angeles, California 90067  
Attention: Ira J. Waldman, Esq.  
Phone: 310/284-2244

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Minimum Rent. Percentage Rent and Supplemental Percentage Rent.

15.12 Captions. The captions contained in this Lease are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Lease.

15.13 Attorneys' Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Lease, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys' fees, including without limitation reasonable attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party, and also including all fees, costs and expenses incurred in executing, perfecting, enforcing and collecting any judgment.

15.14 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease. No amendment, other than one implemented through an arbitration judgment, shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

15.15 Time For Director Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of Director is required, approval shall be deemed not given unless within thirty (30) days after the date of the receipt of the written request for approval from Lessee, Director either (a) approves such request in writing, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a final date for approval or disapproval by Director (the "Extended Time") and approves such request in writing prior to such Extended Time. If Director does not approve such request in writing within such Extended Time, the request shall be deemed to be disapproved.

15.16 Time For County Action. Notwithstanding anything to the contrary contained in this Lease, wherever Director determines that a County action required hereunder necessitates approval from or a vote of one or more of County's boards or commissions or County's Board of Supervisors, the time period for County performance of such action shall be extended as is

reasonably necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.17 Estoppel Certificates. Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case); and (iii) if requested, the amount of the Security Deposit, Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other material economic terms and conditions of this Lease. Prospective purchasers, Major Sublessees and lenders may rely on such statements.

15.18 Indemnity Obligations. Whenever in this Lease there is an obligation to indemnify, hold harmless and/or defend, irrespective of whether or not the obligation so specifies, it shall include the obligation to defend and pay reasonable attorney's fees, reasonable expert fees and court costs.

15.19 Waterfront Promenade. Lessee shall develop a continuous pedestrian walkway with landscaping, lighting, seating, fencing and other improvements (the "Promenade") as described in Exhibit D. Lessee shall complete the foregoing work by the Required Construction Completion Date (as such date may be extended as provided in Article 5 above), subject to extension for delays in such completion of the Promenade caused by Force Majeure. No Force Majeure delay shall commence until after Lessee has notified County of the existence of such Force Majeure event. Lessee and Director shall discuss and attempt to agree on the length of any such delay. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to such delay, the matter shall be arbitrated as set forth in Article 16. The facilities to be constructed under this Section 15.19 shall be constructed in accordance with the provisions of Article 5. County hereby reserves a public easement for access over and use of the Promenade for fire lane uses, pedestrian purposes and such other related uses (including, if approved by County bicycling, rollerblading and the like) as may be established by the County from time to time, all in accordance with such rules and regulations as are promulgated from time to time by the County regulating such public use. Such public easement shall also include the right to use at least one set of the restrooms marked on Exhibit D for public use. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the Promenade established by the County from time to time on a nondiscriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Article 5 of this Lease. At the request of either party such legal description shall be recorded in the Official Records of the County as a supplement to this Lease.

15.20 Management of Anchorage Facilities/Dockmaster. During the Term of the Lease, Lessee shall maintain a dockmaster program, and engage an experienced, professional marina management firm, reasonably acceptable to the Director for the day to day management and operation of the Anchorage Facilities. After Director's approval of such management firm,

Lessee shall not have the right to change the management firm without first obtaining the prior approval of Director, which approval shall not be unreasonably withheld. If during the Term in the reasonable judgment of the Director the then current management firm is performing in an unsatisfactory manner, then at the request of the Director Lessee shall replace such management firm with a new management firm reasonably acceptable to the Director. If during the Term the then current management firm terminates its contract, then Lessee shall have the right to replace such management firm with another management firm approved by Director, which approval shall not be unreasonably withheld.

15.21 Seaworthy Vessels. On or before January 1, April 1, July 1 and October 1 of each year during the Term, Lessee shall deliver to Director a report which contains the following information with respect to every vessel (including floating homes as defined in Title 19 of the Los Angeles County Code) moored within the Premises: (i) the name, address and telephone number of the registered owner (and slip tenant, if other than the registered owner) for each vessel; (ii) the state registration or federal document number, and name (if any), of the vessel; (iii) whether the vessel is a power vessel, sailing vessel or floating home; and (iv) the slip number and length of the vessel, and whether the vessel is presently authorized by Lessee for liveaboard tenancy. In addition, Lessee shall require, and shall certify annually to Director, that as a condition of slip rental and continued slip tenancy, all new slip tenanted vessels from and after the immediately preceding certification (or in the case of the initial certification, from and after the Effective Date) have been required to pass seaworthiness inspection by the Harbor Patrol within sixty (60) days of such slip rental. Henceforth, all of Lessee's slip leases shall provide that any newly tenanted vessel which is unable to pass such inspection within the required period, or such reasonable extension thereof as may be granted in the Director's sole discretion, shall be ineligible for continued slip tenancy on the leasehold premises and shall be removed therefrom. The requirements of the two preceding sentences shall not be applicable to any vessel which is specifically exempted from seaworthiness requirements by Title 19 of the Los Angeles County Code.

15.22 Controlled Prices. Lessee shall at all times maintain a complete list or schedule of the prices charged for all goods or services, or combinations thereof, supplied to the public on or from the Premises, whether the same are supplied by Lessee or by its Sublessees, assignees, concessionaires, permittees or licensees. Said prices shall be fair and reasonable, based upon the following two (2) considerations: first, that the property herein demised is intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost; and second, that Lessee is entitled to a fair and reasonable return upon his investment pursuant to this Lease. In the event that Director notifies Lessee that any of said prices are not fair and reasonable, Lessee shall have the right to confer with Director and to justify said prices. If, after reasonable conference and consultation, Director shall determine that any of said prices are not fair and reasonable, the same shall be modified by Lessee or its Sublessees, assignees, concessionaires, permittees or licensees, as directed. Lessee may appeal the determination of Director to the Board, whose decision shall be final and conclusive. Pending such appeal, the prices fixed by Director shall be the maximum charged by Lessee.

15.23 Pump-Out Station. Lessee shall make available on the Premises a pump-out station for use of boat pump-out services at a nominal fee.

16. ARBITRATION.

Except as otherwise provided by this Article 16, disputed matters which may be arbitrated pursuant to this Lease shall be settled by binding arbitration in accordance with the then existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

(a) Either party (the “Initiating Party”) may initiate the arbitration process by sending written notice (“Request for Arbitration”) to the other party (the “Responding Party”) requesting initiation of the arbitration process and setting forth a brief description of the dispute or disputes to be resolved and the contention(s) of the Initiating Party. Within ten (10) days after service of the Request for Arbitration, the Responding Party shall file a “Response” setting forth the Responding Party’s description of the dispute and the contention(s) of Responding Party. If Responding Party has any “Additional Disputes” he shall follow the format described for the Initiating Party. The Initiating Party will respond within ten (10) days after service of the Additional Disputes setting forth Initiating Party’s description of the Additional Disputes and contentions regarding the Additional Disputes.

(b) Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to this Lease:

16.1 Selection of Arbitrator. The parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the parties are unable to agree upon the arbitrator within ten (10) days of the date the Initiating Party serves a request for arbitration on the Responding Party, then at any time on or after such date either party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

16.2 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes.

16.3 Scope of Arbitration. County and Lessee affirm that the mutual objective of such arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not apply or be used to determine issues other than (i) those presented to the arbitrator by the Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii) Additional Disputes presented to the arbitrator by the Responding Party, provided that any such Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator shall render an award. Either party may, at its sole cost and expense, request a statement of decision explaining the arbitrator’s reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee

hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party's intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator's award is not issued prior to the expiration of said specified period, the arbitration shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

16.4 Immunity. The parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

16.5 Section 1282.2. The provisions of Code of Civil Procedure § 1282.2 shall apply to the arbitration proceedings except to the extent they are inconsistent with the following:

(1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said § 1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

(2) No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), the parties shall simultaneously exchange the following documents by personal delivery to each other and to the arbitrator:

(a) a written Statement of Position, as further defined below, setting forth in detail that party's final position regarding the matter in dispute and specific numerical proposal for resolution of monetary disputes;

(b) a list of witnesses each party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness's testimony;

(c) a list of the documents each intends to introduce at the hearing, together with complete and correct copies of all of such documents; and,

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("Reply"). The Reply shall contain the following information:

(a) a written statement, to be limited to that party's rebuttal to the matters set forth in the other party's Statement of Position;

(b) a list of witnesses each party intends to call at the hearing to rebut the evidence to be presented by the other party, designating which witnesses will be called as expert witnesses;

(c) a list of the documents each intends to introduce at the hearing to rebut the evidence to be presented by the other party, together with complete and correct copies of all of such documents (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents);

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence, or written critiques of the other party's Written Appraisal Evidence if any, each intends to introduce at the hearing to rebut the evidence presented by the other party, together with complete and correct copies of all of such Written Appraisal Evidence (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

(e) Witnesses or documents to be used solely for impeachment of a witness need not be identified or produced.

(4) The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

16.6 Statements of Position. The Statement of Position to be delivered by Section 16.5 shall comply with the following requirements:

(1) Where the dispute involves rent to be charged, market values, insurance levels or other monetary amounts, the Statements of Position shall numerically set forth the existing minimum rent, percentage rent, market value, insurance level and/or other monetary amounts in dispute, the party's proposed new minimum rent, percentage rent, market value, insurance level and/or other monetary amounts, and shall additionally set forth the facts supporting such party's position.

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

16.7 Written Appraisal Evidence. Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding Fair Market Rental Value or the fair market value of the Premises, or any portion thereof, ("Written Appraisal Evidence") unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the



appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in Marina del Rey and other marina locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the fair market rental value of the Premises as prescribed by Section 4.3.1. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

16.8 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

16.9 Discovery. The provisions of Code of Civil Procedure § 1283.05 shall not apply to the arbitration proceedings except to the extent incorporated by other sections of the California Arbitration Act which apply to the arbitration proceedings. There shall be no pre-arbitration discovery except as provided in Section 16.5; provided, however, each party shall have the right, no later than seven (7) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other party as an expert witness pursuant to Sections 16.5 (2)(b) or 16.5 (3)(b).

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a "Separate Dispute"). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the

arbitrator shall have the right, if the arbitrator so chooses, to choose one party's Statement of Position on one or more of the Separate Disputes, while selecting the other party's Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.3 and the amount of liability insurance coverage to be renegotiated pursuant to Section 9.3, then there shall be five Separate Disputes and the arbitrator shall be permitted to select the County's Statement of Position with respect to none, some or all of such five Separate Disputes and select the Lessee's Statement of Position, on the balance, if any, of such five Separate Disputes. Upon the arbitrator's selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.10.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.12 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.13 Amendment to Implement Judgment. Within seven (7) days after the issuance of any award by the arbitrator becomes final, the County will draft a proposed amendment to the Lease setting forth the relevant terms of such award. Within seven (7) days after delivery of a copy of the amendment to Lessee, Lessee will sign the amendment (with any revisions to the proposed amendment necessary to accurately reflect the arbitration award) and return the executed copy to the County, which shall thereafter be executed by County as soon as reasonably practicable.

16.14 Impact of Gross Error Allegations. Where either party has charged the arbitrator with Gross Error:

16.14.1 The award shall not be implemented if the party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitration award ("Disqualification Judgment"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.14, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

16.14.2 The party alleging Gross Error shall have the burden of proof.

16.14.3 For the purposes of this Section 16.14, the term “Gross Error” shall mean that the arbitration award is subject to vacation pursuant to California Code of Civil Procedure § 1286.2 or any successor provision.

16.15 Notice.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

\_\_\_\_\_  
Initials of Lessee

\_\_\_\_\_  
Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

17.1 Meanings of Words Not Specifically Defined. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1.1, are to be construed according to such technical, peculiar, and appropriate meaning or definition.

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter and the neuter includes the masculine and feminine; the singular number includes the plural and the plural the singular; the word “person” includes a corporation, partnership, limited liability company or similar entity, as well as a natural person.

17.3 Business Days. For the purposes of this Lease, “business day” shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include “Optional Bank Holidays” as defined in Section 7.1 of the California Civil Code.

17.4 Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of

their own choosing. This document is the result of combined efforts of both parties and their consultants and attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Lease.

17.5 Governing Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

17.6 Reasonableness Standard. Except where a different standard is specifically provided otherwise herein, whenever the consent of County or Lessee is required under this Lease, such consent shall not be unreasonably withheld and whenever this Lease grants County or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County and Lessee shall act reasonably and in good faith. These provisions shall only apply to County acting in its proprietary capacity.

17.7 Compliance with Code. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Section 25536 of the California Government Code as a result of various provisions contained herein.

17.8 Memorandum of Lease. The parties hereto shall execute and acknowledge a Memorandum of Lease Extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

17.9 Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

17.10 Guest/Water Taxi Docking Slip. Lessee shall make available one (1) docking slip to be reserved for transient boat purposes (the "Transient Slip"). Until such time as otherwise designated by the County, the Transient Slip shall be rented on an hourly or daily basis for guest boat docking purposes. During any future period that a water taxi program is in operation in the Marina, County shall have the right to require that the Transient Slip be made available for water taxi docking purposes. The Transient Slip shall be located at an end-tie or side-tie location reasonably acceptable to County. Lessee shall make the Transient Slip available for the uses described in this Section 17.10 commencing not later than the completion by Lessee of the Anchorage Facilities replacement work described in Section 5.1. Throughout the Term Lessee shall be responsible for ensuring that the Transient Slip (but not the water taxi operator) is in compliance with all Applicable Laws for the uses described in this Section 17.10. The operation of the Transient Slip shall be subject to such security procedures and insurance requirements as are reasonably acceptable to Lessee and County and consistent with those applicable to the operation of the Anchorage Facilities from time to time.

IN WITNESS WHEREOF, County has, by order of its Board of Supervisors, caused this Lease to be subscribed by the Chairman of said Board and attested by the Clerk thereof, and Lessee has executed the same the day and year first hereinabove written.

THE COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mayor, Board of Supervisors

LEGACY PARTNERS NEPTUNE MARINA L.P.,  
a Delaware limited partnership

By: Legacy Partners 2598 L.P., a California  
limited partnership, its general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

PATRICK OGAWA,  
Acting Executive Officer – Clerk of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM,  
Interim County Counsel

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: \_\_\_\_\_

**EXHIBIT A**

**LEGAL DESCRIPTION OF PREMISES**

[To be added]

Subject to the public easement reserved by Lessor in Section 15.19 of this Lease.

**EXHIBIT B**

**REDEVELOPMENT PLAN**

**FOR PURPOSE OF THE EXECUTION OF THE OPTION AGREEMENT, THE REDEVELOPMENT PLAN SHALL BE THE CONCEPT PLANS AS PRESENTED TO AND APPROVED BY THE LOS ANGELES COUNTY DESIGN CONTROL BOARD AS DCB # 04-014-D AT ITS MEETING OF JANUARY 21, 2015, AS IT RELATES TO PARCEL 10R**

**[DRAFTING NOTE: FOR PURPOSES OF THE EXECUTION OF THE OPTION AGREEMENT, THE REDEVELOPMENT PLAN FOR THE REDEVELOPMENT IS AS DESCRIBED ABOVE. PRIOR TO LEASE EXECUTION, THE FINAL PLANS AND SPECIFICATIONS FOR THE REDEVELOPMENT SHALL BE APPROVED AND SECTION 5.1 OF THE LEASE AND THIS EXHIBIT B SHALL BE REVISED TO REPLACE REFERENCES TO THE REFERENCED REDEVELOPMENT PLAN WITH REFERENCES TO SUCH FINAL PLANS AND SPECIFICATIONS.]**

## **EXHIBIT C**

### **ASSIGNMENT STANDARDS**

These standards are to apply to Proposed Transfers of Lessee's interest in this Lease and/or the Premises and to any Major Sublease. These standards and conditions are not to apply to (a) an assignment for the purpose of securing leasehold financing of the parcel by an encumbrance holder approved by County, (b) the transfer of the leasehold in connection with a foreclosure or transfer in lieu of foreclosure by an approved lender, or (c) the first transfer by that encumbrance holder if it has acquired the leasehold through a foreclosure or a transfer in lieu of foreclosure.

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least six (6) times the total Annual Rent due to County for the most recent fiscal year). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth or similar security satisfactory to the County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.

2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to the County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All approvals of the County will not be unreasonably withheld or delayed.

3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or own the entity which will so acquire Lessee's interest, irrespective of the tier at which individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of the County.

4. The price to be paid for the Proposed Transfer shall not result in a financing obligation of the proposed transferee which jeopardizes its ability to meet rental obligations to the County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.

5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the assignee must agree that) the County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the Lease as required under the Lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.



7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.

8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.

**EXHIBIT D**

**DESCRIPTION OF PROMENADE**

**EXHIBIT E**

**WATER QUALITY MANAGEMENT PROGRAM**

## **EXHIBIT F**

### **PERMITTED CAPITAL EXPENDITURES**

The purpose of the Capital Reserve Fund is to provide funds for the cost of additions, replacements, renovations or upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Redevelopment Work. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the buildings or their major systems in an ordinarily efficient operating condition, but that do not significantly add to their value or appreciably prolong their useful life. The Capital Reserve Fund shall not be used to fund any portion of the cost of the Redevelopment Work or the Subsequent Renovation (as defined in Section 5.14 of the Lease). Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee.

Subject to the foregoing, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Reserve Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

1. Painting of the building exterior\*
2. Walkways and driveway replacement\* (if asphalt, a minimum of resurfacing, not slurry seal)
3. Windows replacement\*
4. Roof replacement\* (may be on a building by building basis)
5. Elevators (replacement or addition)
6. HVAC replacement
7. Light fixtures replacement\* (interior and exterior)
8. Irrigation system\* (replacement or major addition)

\* To qualify, these expenditures need to incorporate replacement or renovation of at least 70% of the items or facilities in question

## **EXHIBIT G**

### **APARTMENT GROSS RECEIPTS THRESHOLDS**

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
1	1,076,500	1,076,500
2	475,600	1,552,100
3	563,500	2,115,600
4	651,900	2,767,500
5	740,800	3,508,300
6	830,300	4,338,600
7	920,200	5,258,800
8	1,011,500	6,270,300
9	1,102,600	7,372,900
10	1,194,100	8,567,000
11	1,286,200	9,853,200
12	1,378,800	11,232,000
13	1,471,900	12,703,900
14	1,596,600	14,300,500
15	1,601,200	15,901,700
16	1,605,800	17,507,500
17	1,610,500	19,118,000
18	1,615,100	20,733,100
19	1,619,800	22,352,900
20	1,625,800	23,978,700
21	1,630,600	25,609,300
22	1,635,300	27,244,600
23	1,640,000	28,884,600
24	1,644,700	30,529,300
25	1,649,500	32,178,800
26	1,654,300	33,833,100
27	1,659,100	35,492,200
28	1,663,900	37,156,100
29	1,668,700	38,824,800
30	1,673,600	40,498,400
31	1,678,400	42,176,800
32	1,683,600	43,860,400
33	1,687,400	45,547,800
34	1,691,300	47,239,100
35	1,695,200	48,934,300
36	1,699,000	50,633,300
37	1,702,900	52,336,200
38	1,706,800	54,043,000
39	1,710,700	55,753,700
40	1,714,700	57,468,400
41	1,718,600	59,187,000
42	1,722,500	60,909,500

43

1,726,500

62,636,000

**Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
44	1,731,800	64,367,800
45	1,735,700	66,103,500
46	1,739,700	67,843,200
47	1,743,700	69,586,900
48	1,747,700	71,334,600
49	1,751,700	73,086,300
50	1,755,700	74,842,000
51	1,759,700	76,601,700
52	1,763,800	78,365,500
53	1,767,800	80,133,300
54	1,771,800	81,905,100
55	1,775,900	83,681,000
56	1,781,400	85,462,400
57	1,785,400	87,247,800
58	1,789,500	89,037,300
59	1,793,600	90,830,900
60	1,797,700	92,628,600
61	1,801,800	94,430,400
62	1,806,000	96,236,400
63	1,810,100	98,046,500
64	1,814,300	99,860,800
65	1,818,400	101,679,200
66	1,822,600	103,501,800
67	1,826,700	105,328,500
68	1,832,300	107,160,800
69	1,836,600	108,997,400
70	1,840,700	110,838,100
71	1,845,000	112,683,100
72	1,849,200	114,532,300
73	1,853,400	116,385,700
74	1,857,600	118,243,300
75	1,861,900	120,105,200
76	1,866,200	121,971,400
77	1,870,500	123,841,900
78	1,874,700	125,716,600
79	1,879,000	127,595,600
80	1,884,800	129,480,400
81	1,889,100	131,369,500
82	1,893,500	133,263,000
83	1,897,800	135,160,800
84	1,902,100	137,062,900
85	1,906,500	138,969,400

86

1,910,900

140,880,300

## Apartment Revenue Participation (10R)

Threshold  
Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
87	1,915,200	142,795,500
88	1,919,600	144,715,100
89	1,924,000	146,639,100
90	1,928,400	148,567,500
91	1,932,800	150,500,300
92	1,938,800	152,439,100
93	1,943,200	154,382,300
94	1,947,700	156,330,000
95	1,952,100	158,282,100
96	1,956,600	160,238,700
97	1,961,100	162,199,800
98	1,965,500	164,165,300
99	1,970,100	166,135,400
100	1,974,500	168,109,900
101	1,979,100	170,089,000
102	1,983,600	172,072,600
103	1,988,200	174,060,800
104	1,994,400	176,055,200
105	1,998,900	178,054,100
106	2,003,400	180,057,500
107	2,008,100	182,065,600
108	2,012,600	184,078,200
109	2,017,200	186,095,400
110	2,021,800	188,117,200
111	2,026,500	190,143,700
112	2,031,100	192,174,800
113	2,035,800	194,210,600
114	2,040,400	196,251,000
115	2,045,100	198,296,100
116	2,051,400	200,347,500
117	2,056,100	202,403,600
118	2,060,800	204,464,400
119	2,065,500	206,529,900
120	2,070,300	208,600,200
121	2,075,000	210,675,200
122	2,079,800	212,755,000
123	2,084,500	214,839,500
124	2,089,300	216,928,800
125	2,094,000	219,022,800
126	2,098,800	221,121,600

127	2,103,700	223,225,300
128	2,110,200	225,335,500
129	2,115,000	227,450,500

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
130	2,119,900	229,570,400
131	2,124,700	231,695,100
132	2,129,600	233,824,700
133	2,134,400	235,959,100
134	2,139,300	238,098,400
135	2,144,200	240,242,600
136	2,149,100	242,391,700
137	2,154,000	244,545,700
138	2,159,000	246,704,700
139	2,164,100	248,868,800
140	2,169,200	251,038,000
141	2,174,300	253,212,300
142	2,179,400	255,391,700
143	2,184,500	257,576,200
144	2,189,600	259,765,800
145	2,194,700	261,960,500
146	2,199,800	264,160,300
147	2,205,000	266,365,300
148	2,210,100	268,575,400
149	2,215,300	270,790,700
150	2,220,500	273,011,200
151	2,225,700	275,236,900
152	2,230,900	277,467,800
153	2,236,100	279,703,900
154	2,241,400	281,945,300
155	2,246,600	284,191,900
156	2,251,900	286,443,800
157	2,257,100	288,700,900
158	2,262,500	290,963,400
159	2,267,700	293,231,100
160	2,273,000	295,504,100
161	2,278,300	297,782,400
162	2,283,700	300,066,100
163	2,289,100	302,355,200
164	2,294,400	304,649,600
165	2,299,800	306,949,400
166	2,305,100	309,254,500
167	2,310,500	311,565,000
168	2,315,900	313,880,900



169	2,321,400	316,202,300
170	2,326,800	318,529,100
171	2,332,300	320,861,400
172	2,337,700	323,199,100

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
173	2,343,200	325,542,300
174	2,348,700	327,891,000
175	2,354,200	330,245,200
176	2,359,700	332,604,900
177	2,365,200	334,970,100
178	2,370,700	337,340,800
179	2,376,300	339,717,100
180	2,381,900	342,099,000
181	2,387,400	344,486,400
182	2,393,100	346,879,500
183	2,398,600	349,278,100
184	2,404,300	351,682,400
185	2,409,900	354,092,300
186	2,415,500	356,507,800
187	2,421,200	358,929,000
188	2,426,900	361,355,900
189	2,432,500	363,788,400
190	2,438,200	366,226,600
191	2,443,900	368,670,500
192	2,449,700	371,120,200
193	2,455,400	373,575,600
194	2,461,200	376,036,800
195	2,466,900	378,503,700
196	2,472,700	380,976,400
197	2,478,500	383,454,900
198	2,484,300	385,939,200
199	2,490,100	388,429,300
200	2,495,900	390,925,200
201	2,501,700	393,426,900
202	2,507,600	395,934,500
203	2,513,500	398,448,000
204	2,519,400	400,967,400
205	2,525,300	403,492,700
206	2,531,200	406,023,900
207	2,537,100	408,561,000
208	2,543,100	411,104,100
209	2,549,000	413,653,100
210	2,555,000	416,208,100

211	2,560,900	418,769,000
212	2,567,000	421,336,000
213	2,573,000	423,909,000
214	2,579,000	426,488,000
215	2,585,000	429,073,000

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
216	2,591,100	431,664,100
217	2,597,100	434,261,200
218	2,603,200	436,864,400
219	2,609,300	439,473,700
220	2,615,400	442,089,100
221	2,621,500	444,710,600
222	2,627,600	447,338,200
223	2,633,800	449,972,000
224	2,640,000	452,612,000
225	2,646,200	455,258,200
226	2,652,400	457,910,600
227	2,658,600	460,569,200
228	2,664,800	463,234,000
229	2,671,000	465,905,000
230	2,677,300	468,582,300
231	2,683,500	471,265,800
232	2,689,900	473,955,700
233	2,696,200	476,651,900
234	2,702,500	479,354,400
235	2,708,800	482,063,200
236	2,715,100	484,778,300
237	2,721,500	487,499,800
238	2,727,900	490,227,700
239	2,734,200	492,961,900
240	2,740,600	495,702,500
241	2,747,000	498,449,500
242	2,753,500	501,203,000
243	2,760,000	503,963,000
244	2,766,400	506,729,400
245	2,772,900	509,502,300
246	2,779,400	512,281,700
247	2,785,900	515,067,600
248	2,792,400	517,860,000
249	2,799,000	520,659,000
250	2,805,500	523,464,500
251	2,812,000	526,276,500
252	2,818,600	529,095,100

253	2,825,300	531,920,400
254	2,831,800	534,752,200
255	2,838,500	537,590,700
256	2,845,200	540,435,900
257	2,851,800	543,287,700
258	2,858,500	546,146,200

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
259	2,865,100	549,011,300
260	2,871,900	551,883,200
261	2,878,600	554,761,800
262	2,885,300	557,647,100
263	2,892,100	560,539,200
264	2,898,900	563,438,100
265	2,905,700	566,343,800
266	2,912,400	569,256,200
267	2,919,200	572,175,400
268	2,926,100	575,101,500
269	2,932,900	578,034,400
270	2,939,800	580,974,200
271	2,946,700	583,920,900
272	2,953,600	586,874,500
273	2,960,500	589,835,000
274	2,967,500	592,802,500
275	2,974,400	595,776,900
276	2,981,300	598,758,200
277	2,988,400	601,746,600
278	2,995,300	604,741,900
279	3,002,400	607,744,300
280	3,009,400	610,753,700
281	3,016,400	613,770,100
282	3,023,400	616,793,500
283	3,030,600	619,824,100
284	3,037,600	622,861,700
285	3,044,700	625,906,400
286	3,051,900	628,958,300
287	3,059,100	632,017,400
288	3,066,200	635,083,600
289	3,073,400	638,157,000
290	3,080,600	641,237,600
291	3,087,800	644,325,400
292	3,095,000	647,420,400
293	3,102,300	650,522,700
294	3,109,500	653,632,200

295	3,116,800	656,749,000
296	3,124,100	659,873,100
297	3,131,400	663,004,500
298	3,138,800	666,143,300
299	3,146,100	669,289,400
300	3,153,500	672,442,900
301	3,160,900	675,603,800

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
302	3,168,200	678,772,000
303	3,175,700	681,947,700
304	3,183,100	685,130,800
305	3,190,500	688,321,300
306	3,198,100	691,519,400
307	3,205,500	694,724,900
308	3,213,000	697,937,900
309	3,220,500	701,158,400
310	3,228,000	704,386,400
311	3,235,600	707,622,000
312	3,243,200	710,865,200
313	3,250,800	714,116,000
314	3,258,400	717,374,400
315	3,266,000	720,640,400
316	3,273,700	723,914,100
317	3,281,400	727,195,500
318	3,289,000	730,484,500
319	3,296,700	733,781,200
320	3,304,500	737,085,700
321	3,312,200	740,397,900
322	3,320,000	743,717,900
323	3,327,700	747,045,600
324	3,335,500	750,381,100
325	3,343,300	753,724,400
326	3,351,100	757,075,500
327	3,359,000	760,434,500
328	3,366,900	763,801,400
329	3,374,800	767,176,200
330	3,382,600	770,558,800
331	3,390,600	773,949,400
332	3,398,500	777,347,900
333	3,406,500	780,754,400
334	3,414,400	784,168,800
335	3,422,400	787,591,200
336	3,430,500	791,021,700

337	3,438,400	794,460,100
338	3,446,500	797,906,600
339	3,454,600	801,361,200
340	3,462,700	804,823,900
341	3,470,800	808,294,700
342	3,478,900	811,773,600
343	3,487,100	815,260,700
344	3,495,200	818,755,900

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
345	3,503,400	822,259,300
346	3,511,600	825,770,900
347	3,519,800	829,290,700
348	3,528,100	832,818,800
349	3,536,300	836,355,100
350	3,544,600	839,899,700
351	3,552,900	843,452,600
352	3,561,200	847,013,800
353	3,569,600	850,583,400
354	3,577,900	854,161,300
355	3,586,300	857,747,600
356	3,594,700	861,342,300
357	3,603,100	864,945,400
358	3,611,600	868,557,000
359	3,620,000	872,177,000
360	3,628,500	875,805,500
361	3,637,000	879,442,500
362	3,645,500	883,088,000
363	3,654,000	886,742,000
364	3,662,600	890,404,600
365	3,671,100	894,075,700
366	3,679,800	897,755,500
367	3,688,400	901,443,900
368	3,697,000	905,140,900
369	3,705,700	908,846,600
370	3,714,300	912,560,900
371	3,723,100	916,284,000
372	3,731,700	920,015,700
373	3,740,400	923,756,100
374	3,749,200	927,505,300
375	3,758,000	931,263,300
376	3,766,800	935,030,100
377	3,775,600	938,805,700
378	3,784,400	942,590,100

379	3,793,300	946,383,400
380	3,802,200	950,185,600
381	3,811,100	953,996,700
382	3,820,000	957,816,700
383	3,829,000	961,645,700
384	3,837,900	965,483,600
385	3,846,900	969,330,500
386	3,855,900	973,186,400
387	3,864,900	977,051,300

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
388	3,874,000	980,925,300
389	3,883,100	984,808,400
390	3,892,200	988,700,600
391	3,901,300	992,601,900
392	3,910,400	996,512,300
393	3,919,600	1,000,431,900
394	3,928,800	1,004,360,700
395	3,937,900	1,008,298,600
396	3,947,200	1,012,245,800
397	3,956,400	1,016,202,200
398	3,965,600	1,020,167,800
399	3,974,900	1,024,142,700
400	3,984,300	1,028,127,000
401	3,993,600	1,032,120,600
402	4,002,900	1,036,123,500
403	4,012,300	1,040,135,800
404	4,021,700	1,044,157,500
405	4,031,100	1,048,188,600
406	4,040,600	1,052,229,200
407	4,050,000	1,056,279,200
408	4,059,500	1,060,338,700
409	4,069,000	1,064,407,700
410	4,078,500	1,068,486,200
411	4,088,100	1,072,574,300
412	4,097,600	1,076,671,900
413	4,107,300	1,080,779,200
414	4,116,800	1,084,896,000
415	4,126,500	1,089,022,500
416	4,136,200	1,093,158,700
417	4,145,900	1,097,304,600
418	4,155,600	1,101,460,200
419	4,165,300	1,105,625,500
420	4,175,000	1,109,800,500

421	4,184,800	1,113,985,300
422	4,194,600	1,118,179,900
423	4,204,400	1,122,384,300
424	4,214,200	1,126,598,500
425	4,224,100	1,130,822,600
426	4,234,000	1,135,056,600
427	4,243,900	1,139,300,500
428	4,253,900	1,143,554,400
429	4,263,800	1,147,818,200
430	4,273,800	1,152,092,000

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
431	4,283,800	1,156,375,800
432	4,293,900	1,160,669,700
433	4,303,900	1,164,973,600
434	4,314,000	1,169,287,600
435	4,324,100	1,173,611,700
436	4,334,200	1,177,945,900
437	4,344,400	1,182,290,300
438	4,354,500	1,186,644,800
439	4,364,700	1,191,009,500
440	4,374,900	1,195,384,400
441	4,385,200	1,199,769,600
442	4,395,400	1,204,165,000
443	4,405,800	1,208,570,800
444	4,416,000	1,212,986,800
445	4,426,400	1,217,413,200
446	4,436,800	1,221,850,000
447	4,447,200	1,226,297,200
448	4,457,600	1,230,754,800
449	4,468,000	1,235,222,800
450	4,478,400	1,239,701,200
451	4,488,900	1,244,190,100
452	4,499,500	1,248,689,600
453	4,510,000	1,253,199,600
454	4,520,500	1,257,720,100
455	4,531,100	1,262,251,200
456	4,541,800	1,266,793,000
457	4,552,300	1,271,345,300
458	4,563,000	1,275,908,300
459	4,573,700	1,280,482,000
460	4,584,400	1,285,066,400
461	4,595,200	1,289,661,600
462	4,605,900	1,294,267,500

463	4,616,700	1,298,884,200
464	4,627,500	1,303,511,700
465	4,638,300	1,308,150,000
466	4,649,200	1,312,799,200
467	4,660,100	1,317,459,300
468	4,671,000	1,322,130,300
469	4,681,900	1,326,812,200
470	4,692,900	1,331,505,100
471	4,703,800	1,336,208,900
472	4,714,900	1,340,923,800
473	4,725,900	1,345,649,700

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
474	4,737,000	1,350,386,700
475	4,748,100	1,355,134,800
476	4,759,200	1,359,894,000
477	4,770,300	1,364,664,300
478	4,781,500	1,369,445,800
479	4,792,700	1,374,238,500
480	4,803,900	1,379,042,400
481	4,815,200	1,383,857,600
482	4,826,500	1,388,684,100
483	4,837,700	1,393,521,800
484	4,849,100	1,398,370,900
485	4,860,400	1,403,231,300
486	4,871,800	1,408,103,100
487	4,883,200	1,412,986,300
488	4,894,700	1,417,881,000
489	4,906,100	1,422,787,100
490	4,917,600	1,427,704,700
491	4,929,100	1,432,633,800
492	4,940,600	1,437,574,400
493	4,952,200	1,442,526,600
494	4,963,800	1,447,490,400
495	4,975,400	1,452,465,800
496	4,987,100	1,457,452,900
497	4,998,700	1,462,451,600
498	5,010,500	1,467,462,100
499	5,022,200	1,472,484,300
500	5,034,000	1,477,518,300
501	5,045,700	1,482,564,000
502	5,057,500	1,487,621,500
503	5,069,300	1,492,690,800
504	5,081,300	1,497,772,100



505	5,093,200	1,502,865,300
506	5,105,100	1,507,970,400
507	5,117,000	1,513,087,400
508	5,129,000	1,518,216,400
509	5,141,000	1,523,357,400
510	5,153,100	1,528,510,500
511	5,165,100	1,533,675,600
512	5,177,200	1,538,852,800
513	5,189,300	1,544,042,100
514	5,201,400	1,549,243,500
515	5,213,700	1,554,457,200
516	5,225,900	1,559,683,100

### **Apartment Revenue Participation (10R)**

Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
517	5,238,100	1,564,921,200
518	5,250,400	1,570,171,600
519	5,262,700	1,575,434,300
520	5,275,000	1,580,709,300
521	5,287,300	1,585,996,600
522	5,299,700	1,591,296,300
523	5,312,100	1,596,608,400

**SECOND MODIFICATION OF LEASE OPTION AGREEMENT  
(Parcel 14)**

THIS SECOND MODIFICATION OF LEASE OPTION AGREEMENT (“**Second Modification Agreement**”) is made as of \_\_\_\_\_, 2016, between COUNTY OF LOS ANGELES (“**County**”), and LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership (“**Lessee**”).

**RECITALS**

A. County and Lessee entered into that certain Lease Option Agreement dated as of August 19, 2008 (the “**Original Option Agreement**”), whereby County granted Lessee an option (referenced in the Option Agreement as the “**Option**”) to lease certain real property owned by County in Marina del Rey commonly known as Parcel 14 (formerly known as Parcel FF) and more particularly described on Exhibit A to the Option Agreement (the “**Premises**”).

B. County and Lessee entered into Renewal of Lease Option Agreement dated as of August 16, 2011 (the “**Renewal Agreement**”) that renewed the Option and made certain other modifications to the Option Agreement and the form of Lease to be executed in connection with the exercise of the Option. The Original Option Agreement, as renewed and modified by the Renewal Agreement, is referred to herein as the “**Option Agreement**”.

C. County and Lessee entered into that certain Approval of Renewal of Option to Amend Lease Agreement dated as of August 16, 2011, and the Modification of Lease dated December 15, 2015 (the “**First Option Modification**”). The Original Option Agreement, as renewed and modified by the Renewal Agreement and modified by the First Option Modification, is referred to herein as the “**Option Agreement**”.

D. County and Lessee desire to enter into this Second Modification Agreement to grant Lessee an additional right to extend the Option Expiration Date and to make certain modifications to the form of Lease to be executed in connection with the exercise of the Option, all as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lessee and County hereby agree as follows:

1. Capitalized Terms. All capitalized terms used in this Modification Agreement but not otherwise defined herein shall have the same meanings given such terms in the Option Agreement.

2. Extension of Option Expiration Date. Lessee shall have the right to extend the Option Expiration Date beyond February 19, 2017 for an additional six (6) month period upon delivery by Lessee to County, not later than one (1) month prior to the

Option Expiration Date that is then in effect pursuant to the Option Agreement prior to such extension, of both written notice by Lessee to County of such extension and the payment by Lessee to County of an Additional Option Extension Fee of Fifty Thousand Dollars (\$50,000.00). Notwithstanding the foregoing, Lessee shall have no right to extend the Option Expiration Date pursuant to this paragraph at any time during which Lessee is in Default under the Option Agreement (as amended by this Second Modification Agreement) or the Existing Parcel 10R Lease. Time is of the essence with respect to the exercise by Lessee of any right to extend the Option Expiration Date pursuant to this paragraph. The Additional Option Extension Fee paid by Lessee pursuant to this paragraph shall be non-refundable and shall not be applicable against the Option Fee.

3. Wetland Park. Section 3(d) of the Option Agreement is hereby deleted, as Lessee and the holder of an Option on Parcel 9U, MDR Hotels, LLC, a Delaware limited liability company (“**MDR Hotels**”) have entered into that certain Wetland Park Development and Contribution Agreement dated as of December 8, 2015 (the “**Wetland Park Agreement**”) pursuant to which Lessee agreed to construct a wetland park on Parcel 9U. Construction has commenced prior to the date of this Second Modification Agreement and the condition set forth in Section 3(d) of the Option Agreement has been satisfied.

Additionally the following are deleted from the Option Agreement:

(i) The words “if the option provided in clause (ii) of Section 3(d) above is operative” in clause (iii) of Section 4;

(ii) The words “and, if the option provided in clause (ii) of Section 3(d) above is operative, the Wetland Park” in clause (vii) of Section 4;

(iii) The third sentence in Section 6.3.

Additionally, the sentence in Section 4 beginning with “The Effective Date” is amended to read as follows:

The Effective Date of the Lease (as defined in the Lease) shall be the date the Lease and the memorandum of agreement described in Section 4, clause (iii) are executed and delivered by County, which date shall be inserted into page 1 of the Lease and memorandum of agreement concurrent with County’s execution and delivery thereof.

4. Modifications to the Form of Lease. Notwithstanding any contrary term or provision of the Option Agreement, the Lease shall be in the form attached to this Second Modification Agreement as Exhibit A. Exhibit A attached to this Second Modification Agreement supersedes and replaces Exhibit A attached to the First Option Modification.

5. County Costs. Regardless of whether Lessee exercises the Option, Lessee shall promptly reimburse County for the Actual Costs (as defined in the Lease) incurred by County in connection with the review, negotiation, preparation and documentation of this Second Modification Agreement and the matters addressed herein.

6. Entire Agreement. This Second Modification Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any and all previous negotiations, communications or understandings between the parties, whether oral or written, with respect to the subject matter set forth herein.

7. No Other Modifications. County and Lessee acknowledge and agree that the Option Agreement is in full force and effect, unmodified except as set forth in this Second Modification Agreement.

8. Counterparts. This Second Modification Agreement may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

[SIGNATURES ON FOLLOWING PAGE]

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

COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mayor, Board of Supervisors

LEGACY PARTNERS NEPTUNE  
MARINA L.P., a Delaware limited  
partnership

By: Legacy Partners 2598 L.P., a  
California limited partnership, its  
general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

LORI GLASGOW,,  
Executive Officer – Clerk of the  
Board of Supervisors

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM,  
COUNTY COUNSEL

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

GLASER WEIL FINK HOWARD AVCHEN & SHAPIRO LLP

By: \_\_\_\_\_

EXHIBIT A  
FORM OF LEASE

**LEASE AGREEMENT**

by and between

County of Los Angeles

and

Legacy Partners Neptune Marina L.P.

(Parcel 14 — Lease No. \_\_\_\_)

Dated as of \_\_\_\_\_, \_\_\_\_

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**LEASE AGREEMENT  
PARCEL 14 — MARINA DEL REY**

THIS LEASE AGREEMENT (“Lease”) is made and entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (“Effective Date”), by and between the COUNTY OF LOS ANGELES (“County”), as lessor, and LEGACY PARTNERS NEPTUNE MARINA L.P., a Delaware limited partnership (together with its permitted successors and assigns, “Lessee”), as lessee.

W I T N E S S E T H

WHEREAS, County owns fee title to certain real property in Marina del Rey commonly known as Parcel 14 and more particularly described in Exhibit A attached hereto (the “Premises”); and

WHEREAS, County and Lessee have entered into that certain Lease Option Agreement dated August 19, 2008, as renewed by Renewal of Lease Option Agreement dated as of August 16, 2011, and as modified by Modification of Lease Option Agreement dated as of \_\_\_\_\_, 2015 (collectively, the “Option Agreement”), pursuant to which County has granted Lessee an option (the “Option”) to lease the Premises from County on the terms and conditions set forth in this Lease; and

WHEREAS, Lessee has exercised the Option in accordance with the terms and provisions of the Option Agreement.

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and each of them do agree as follows:

1. BACKGROUND AND GENERAL.

1.1 Definitions. The defined terms in this Lease shall have the meanings as follows:

1.1.1 “ACCOUNTING YEAR” shall have the meaning set forth in Section 14.7.

1.1.2 “ACTUAL COST” shall mean (i) the reasonable out-of-pocket costs and expenses incurred by County with respect to a particular activity or procedure, including without limitation, expenditures to third party legal counsel, financial consultants and advisors (including the use of County’s environmental consultant), (ii) costs incurred in connection with appraisals, (iii) the reasonable value of services actually provided by County’s in-house counsel, and (iv) the reasonable value of services actually provided by County’s lead lease negotiator/administrator and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is two levels below County department head) required by the lead lease negotiator/administrator for technical expertise or assistance. In those instances in which

Lessee is obligated to reimburse County for its Actual Costs incurred in performing obligations required to be performed by Lessee under this Lease which Lessee fails to perform within the applicable cure period, if any, provided under this Lease, Actual Costs shall also include a reasonable allocation of County overhead and administrative costs to compensate County for performing such obligations on behalf of Lessee.

1.1.3 “ADA” shall have the meaning set forth in Section 1.2.

1.1.4 “ADJUSTMENT DATES” shall have the meaning set forth in subsection 4.2.4.

1.1.5 “ADMINISTRATIVE CHARGE” shall have the meaning set forth in Section 4.6.

1.1.6 “AGGREGATE TRANSFER” shall have the meaning set forth in subsection 4.6.3.

1.1.7 “AIG ENTITY” means AIG Global Real Estate Investment Corp. and any person or entity that directly or indirectly controls, is controlled by, or is under common control with, AIG Global Real Estate Investment Corp.

1.1.8 “AIG TERMINATION TRANSACTION” shall have the meaning set forth in Section 4.8.

1.1.9 “ANNUAL MINIMUM RENT” shall have the meaning set forth in subsection 4.2.1.

1.1.10 “APARTMENT GROSS RECEIPTS” shall have the meaning set forth in subsection 4.2.3.

1.1.11 “APARTMENT PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.12 “APPLICABLE LAWS” shall have the meaning set forth in subsection 1.2.1.

1.1.13 “APPLICABLE RATE” shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate, plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

1.1.14 “APPROVED APARTMENT LEASE” shall have the meaning set forth in subsection 11.1.2.



1.1.15 “APPROVED GOVERNMENTAL CHANGES” shall have the meaning set forth in Section 6.3.1 of the Option Agreement.

1.1.16 “ASSIGNMENT STANDARDS” shall have the meaning set forth in Section 11.2.

1.1.17 “AUDITOR-CONTROLLER” shall mean the Auditor-Controller of the County of Los Angeles, California.

1.1.18 “AWARD” shall have the meaning set forth in subsection 6.1.3.

1.1.19 “BASE VALUE” shall have the meaning set forth in subsection 4.8.1.1.

1.1.20 “BENEFICIAL INTEREST” shall have the meaning set forth in subsection 4.6.4.

1.1.21 “BOARD” shall mean the Board of Supervisors for the County of Los Angeles.

1.1.22 “BUSINESS DAY” shall have the meaning set forth in Section 17.3.

1.1.23 “CALCULATION NOTICE” shall have the meaning set forth in Section 4.7.

1.1.24 “CAPITAL RESERVE FUND” shall have the meaning set forth in Section 5.14.

1.1.25 “CHANGE OF OWNERSHIP” shall have the meaning set forth in subsection 4.6.1.

1.1.26 “CHANGE OF CONTROL” shall have the meaning set forth in subsection 4.6.1.

1.1.27 “CITY” shall mean the City of Los Angeles, California.

1.1.28 “COMPLETION DATE” shall mean the date of receipt of the first Temporary Certificate of Occupancy or other applicable governmental permit, certificate or approval for the legal occupancy of any apartment building constructed on the Premises as part of the Development Work pursuant to Article 5 of this Lease.

1.1.29 “CONDEMNATION” shall have the meaning set forth in subsection 6.1.1.

1.1.30 “CONDEMNOR” shall have the meaning set forth in subsection 6.1.4.

1.1.31 “CONSUMER PRICE INDEX” shall mean the Consumer Price Index-All Urban Consumers for Los Angeles/Riverside/Orange Counties, as published from time to time by the United States Department of Labor or, in the event such index is no

longer published or otherwise available, such replacement index as may be agreed upon by County and Lessee.

1.1.32 “COUNTY” shall have the meaning set forth in the first paragraph of this Lease.

1.1.33 “COUNTY OPTION” shall have the meaning set forth in subsection 11.2.4.

1.1.34 “COUNTY OPTION PRICE” shall have the meaning set forth in subsection 11.2.4.

1.1.35 “COUNTY POOL RATE” shall have the meaning set forth in subsection 4.3.5 of this Lease.

1.1.36 “CUMULATIVE APARTMENT GROSS RECEIPTS” shall have the meaning set forth in subsection 4.2.3.

1.1.37 “CUMULATIVE APARTMENT GROSS RECEIPTS THRESHOLD” shall have the meaning set forth in subsection 4.2.3.

1.1.38 “CUMULATIVE APARTMENT PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.39 “CUMULATIVE SUPPLEMENTAL PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.

1.1.40 “DATE OF TAKING” shall have the meaning set forth in subsection 6.1.2.

1.1.41 “DEPARTMENT” shall mean the Department of Beaches and Harbors of the County of Los Angeles.

1.1.42 “DEVELOPMENT WORK” shall have the meaning set forth in subsection 5.1.1.

1.1.43 “DIRECTOR” shall mean the Director of the Department of Beaches and Harbors of the County of Los Angeles or any successor County officer responsible for the administration of this Lease.

1.1.44 “DISQUALIFICATION JUDGMENT” shall have the meaning set forth in subsection 16.15.1.

1.1.45 “DOCUMENTED TRANSACTION COSTS” shall have the meaning set forth in subsection 4.8.1.2.

1.1.46 “EFFECTIVE DATE” shall mean the date set forth in the first preamble paragraph of this Lease.

1.1.47 “ENCUMBRANCE” shall have the meaning set forth in subsection 12.1.1.

1.1.48 “ENCUMBRANCE HOLDER” shall have the meaning set forth in subsection 12.1.1.

1.1.49 “ENR INDEX” shall mean the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Area, or such substitute index as the parties may mutually agree upon if such index is no longer published or otherwise available.

1.1.50 “EVENTS OF DEFAULT” shall have the meaning set forth in Section 13.1.

1.1.51 “EXCESS PERCENTAGE RENT PAYMENT” shall have the meaning set forth in subsection 4.2.2.4.

1.1.52 “EXTENDED TIME” shall have the meaning set forth in Section 15.15.

1.1.53 “FAIR MARKET RENTAL VALUE” shall have the meaning set forth in subsection 4.3.1.

1.1.54 “FINAL ALTERATION PLANS AND SPECIFICATIONS” shall have the meaning set forth in subsection 5.3.3.

1.1.55 “FINAL DEVELOPMENT WORK PLANS AND SPECIFICATIONS” shall have the meaning set forth in subsection 5.1.4.

1.1.56 “FINANCING EVENT” shall have the meaning set forth in Section 12.1.

1.1.57 “FORCE MAJEURE” shall have the meaning set forth in Section 5.6.

1.1.58 “GROSS ERROR” shall have the meaning set forth in subsection 16.15.4.

1.1.59 “GROSS TRANSFER PROCEEDS” shall have the meaning set forth in Section 4.8.

1.1.60 “GROSS RECEIPTS” shall have the meaning set forth in subsection 4.2.2.3.

1.1.61 “IMPROVEMENTS” means all buildings, structures, fixtures, fences, fountains, walls, paving, parking areas, driveways, walkways, plazas, landscaping, permanently affixed utility systems and other improvements now or hereafter located on the Premises.

1.1.62 “IMPROVEMENT COSTS” shall have the meaning set forth in subsection 4.8.1.1.

1.1.63 “INCOME APPROACH” shall have the meaning set forth in Section 6.5.

1.1.64 “INITIATING PARTY” shall have the meaning set forth in the first paragraph of Article 16.

1.1.65 “INSTITUTIONAL LENDER” shall have the meaning set forth in subsection 12.1.3.1

1.1.66 “INSURANCE RENEGOTIATION DATE” shall have the meaning set forth in Section 9.3.

1.1.67 “LATE FEE” shall have the meaning set forth in Section 4.5.

1.1.68 “LEASE” shall mean this Lease Agreement.

1.1.69 “LEASE YEAR” shall have the meaning set forth in Section 2.1.

1.1.70 “LESSEE” shall have the meaning set forth in the first paragraph of this Lease.

1.1.71 “LESSEE SALE PRICE” shall have the meaning set forth in subsection 11.2.4.

1.1.72 “MAJOR SUBLEASE” shall have the meaning set forth in subsection 11.1.1.

1.1.73 “MAJOR SUBLESSEE” shall have the meaning set forth in subsection 11.1.1.

1.1.74 “MINIMUM REQUIRED COST AMOUNT” shall have the meaning set forth in subsection 5.1.2.

1.1.75 “MINIMUM STANDARDS” shall mean the requirements of Policy Statement No. 25 and the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey approved in 1989, as modified by County or the Department from time to time in a manner consistent with commercially reasonable standards applicable to other comparable residential apartment project in Marina del Rey (the “Minimum Standards”).

1.1.76 “MONTHLY MINIMUM RENT” shall have the meaning set forth in subsection 4.2.1.

1.1.77 “NET AWARDS AND PAYMENTS” shall have the meaning set forth in Section 6.7.

1.1.78 “NET PROCEEDS SHARE” shall have the meaning set forth in Section 4.6.

1.1.79 “NET REFINANCING PROCEEDS” shall have the meaning set forth in subsection 4.8.5.

1.1.80 “NET TRANSFER PROCEEDS” shall have the meanings set forth in subsections 4.8.1 and 4.8.2.

1.1.81 “NOTICE OF COMPLETION” shall have the meaning set forth in subsection 5.8.7.

1.1.82 “OPTION” shall have the meaning set forth in the preamble to this Lease.

1.1.83 “OPTION AGREEMENT” shall have the meaning set forth in the preamble to this Lease.

1.1.84 “PARCEL 10R RESTATED LEASE” shall mean the Amended and Restated Lease Agreement – Parcel 10R – Marina del Rey by and between County and Lessee, dated of even date of this Lease for the lease of the property commonly known as Parcel 10R.

1.1.85 “PARCEL 10R OPTION” shall have the meaning set forth in Section 5.1.

1.1.86 “PARCEL 10R PREMISES” shall mean the premises leased under the Parcel 10R Restated Lease.

1.1.87 “PARTIAL TAKING” shall have the meaning set forth in Section 6.5.

1.1.88 “PAYMENT BOND” shall have the meaning set forth in subsection 5.4.3.2.

1.1.89 “PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.2.

1.1.90 “PERFORMANCE BOND” shall have the meaning set forth in subsection 5.4.3.1.

1.1.91 “PERMITTED USES” shall have the meaning set forth in Section 3.1.

1.1.92 “PRE-EXISTING PARCEL 10R LEASE” shall mean that certain Lease for the property commonly known as Parcel 10R by and between County and Lessee’s predecessor in interest dated as of May 4, 1962 (as amended prior to the execution of the Parcel 10R Restated Lease).

1.1.93 “PREMISES” shall have the meaning set forth in the preamble to this Lease.

1.1.94 “PRIME RATE” shall mean the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

1.1.95 “PROPOSED TRANSFER” shall have the meaning set forth in subsection 11.2.4.

1.1.96 “PUBLIC WORKS DIRECTOR” shall mean the Director of the Department of Public Works of the County of Los Angeles.

1.1.97 “PURCHASE MONEY NOTE” shall have the meaning set forth in subsection 4.7.2.

1.1.98 “QUALIFIED HARD COSTS” shall have the meaning set forth in subsection 5.1.2.

1.1.99 “RENEGOTIATION DATES” shall have the meaning set forth in Section 4.3.

1.1.100 “RENOVATION FUND” shall have the meaning set forth in Section 15.13.

1.1.101 “REPLY” shall have the meaning set forth in Section 16.5.

1.1.102 “REQUIRED CONSTRUCTION COMMENCEMENT DATE” shall have the meaning set forth in subsection 5.1.3.

1.1.103 “REQUIRED CONSTRUCTION COMPLETION DATE” shall have the meaning set forth in subsection 5.1.3.

1.1.104 “RESPONDING PARTY” shall have the meaning set forth in the first paragraph of Article 16.

1.1.105 “SEAWALL” shall have the meaning set forth in Section 10.7.

1.1.106 “SECTION” shall mean a section of this Lease.

1.1.107 “SECURITY DEPOSIT” shall have the meaning set forth in Section 7.1.

1.1.108 “SHALL” and “WILL” are mandatory and the word “MAY” is permissive.

1.1.109 “STATE” shall mean the State of California.

- 1.1.110 “STATEMENT OF POSITION” shall have the meaning set forth in subsection 16.6.
- 1.1.111 “SUBLEASE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.112 “SUBLESSEE” shall have the meaning set forth in subsection 11.1.1.
- 1.1.113 “SUBSECTION” shall mean a subsection of a Section of this Lease.
- 1.1.114 “SUBSTANTIAL COMMENCEMENT OF CONSTRUCTION” shall have the meaning set forth in subsection 5.1.3.
- 1.1.115 “SUBSTANTIAL COMPLETION” shall have the meaning set forth in subsection 5.1.3.
- 1.1.116 “SUPPLEMENTAL PERCENTAGE RENT” shall have the meaning set forth in subsection 4.2.3.
- 1.1.117 “TERM” shall have the meaning set forth in Section 2.1.
- 1.1.118 “TIME OF THE ESSENCE” shall have the meaning set forth in Section 15.2.
- 1.1.119 “UNINSURED LOSS” shall have the meaning set forth in Section 10.5.
- 1.1.120 “UNREASONABLE COUNTY ACT” shall have the meaning set forth in subsection 5.7.2.
- 1.1.121 “WETLAND PARK” shall have the meaning set forth in Section 5.2.
- 1.1.122 “WETLAND PARK DEVELOPMENT COSTS” shall have the meaning set forth in Section 5.2.
- 1.1.123 “WETLAND PARK DEVELOPMENT COSTS REPORT” shall have the meaning set forth in Section 5.2.
- 1.1.124 “WRITTEN APPRAISAL EVIDENCE” shall have the meaning set forth in Section 16.7.

1.2 Lease. For and in consideration of the payment of rentals and the performance of all the covenants and conditions of this Lease, County hereby leases to Lessee, and Lessee hereby leases and hires from County, an exclusive right to possess and use, as tenant, the Premises for the Term (as hereinafter defined) and upon the terms and conditions and subject to the requirements set forth herein.

1.2.1 As-Is. Except as provided in Section 1.4, Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the Effective

Date and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS WITH ALL FAULTS". Lessee hereby accepts the Premises on an "AS IS WITH ALL FAULTS" basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises and/or any Improvements located thereon, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises and/or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land and within the Improvements and within each space therein, (ii) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and/or any Improvements located thereon, (iv) the development potential of the Premises, and the use, habitability, merchantability or fitness, or the suitability, value or adequacy of the Premises and/or any Improvements located thereon for any particular purpose, (v) the zoning or other legal status or entitlement or lack thereof of the Premises or any other public or private restrictions on use of the Premises, (vi) the compliance of the Premises and/or any Improvements located thereon with any applicable codes, laws, rules, regulations, statutes, resolutions, ordinances, covenants, conditions and restrictions of County, City, State, the United States of America, the California Coastal Commission and/or any other governmental or quasi-governmental entity ("Applicable Laws") or of any other person or entity (including, without limitation, relevant provisions of the Americans with Disabilities Act ("ADA")), (vii) the presence of any underground storage tank or hazardous materials on, under or about the Premises or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any Improvements, (ix) subject to Section 1.3 below, the condition of title to the Premises, and (x) the economics of the operation of the Premises and/or any Improvements located thereon.

1.3 Title. County represents that County owns fee title to the Premises and that County has authority to enter into this Lease. Lessee hereby acknowledges the title of County in and to the Premises, and covenants and agrees never to contest or challenge the extent of said title, except as is necessary to ensure that Lessee may occupy the Premises pursuant to the terms and conditions of this Lease.

1.4 Excluded Conditions. Notwithstanding anything to the contrary set forth herein, the terms and provisions of subsection 1.2.1 shall not be applicable to any sewer, storm drain or other improvements which have been dedicated to (and such dedication has been accepted by) the Department of Public Works of the County ("Excluded Conditions"); provided, however, that this Lease (as opposed to any separate dedication acceptance or other contractual or legal obligation) shall not create any obligation or liability on the part of County with respect to such sewer, storm drain and other improvements.



## 2. TERM.

2.1 Term. The term of this Lease (“Term”) shall commence on the Effective Date set forth herein. Unless terminated sooner in accordance with the provisions of this Lease, the Term shall expire at 11:59 p.m. on February 28, 2061. For purposes of this Lease, “Lease Year” shall mean each calendar year (or partial calendar) during the Term of this Lease. Notwithstanding the foregoing, with respect to any provision in this Lease that refers to a specified number of Lease Years after the Effective Date, the number of Lease Years after the Effective Date shall be calculated based on the following: (a) if the Effective Date is prior to July 1 of a calendar year, then the first Lease Year after the Effective Date shall mean the period from the Effective Date through December 31 of the calendar year during which the Effective Date occurs, and (b) if the Effective Date is on or after July 1 of a calendar year, then the first Lease Year shall mean the period from the Effective Date through December 31 of the calendar year following the calendar year during which the Effective Date occurs.

2.2 Intentionally Omitted Intentionally Omitted Ownership of Improvements During Term. Until the expiration of the Term or sooner termination of this Lease and except as specifically provided herein, Lessee shall own all Improvements now existing and constructed by Lessee or its predecessors or hereafter constructed by Lessee upon the Premises, and all alterations, additions, or betterments made thereto by Lessee.

2.5 Reversion of Improvements. Upon the expiration of the Term or sooner termination of this Lease, whether by cancellation, forfeiture or otherwise:

2.5.1 County’s Election to Receive Improvements. At the election of County, all structures, buildings, Improvements and all alterations, additions, and betterments thereto, and all other Improvements made to or upon the Premises shall remain upon and be surrendered with the Premises as part thereof and title thereto shall vest in County without compensation therefor to Lessee. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to receive any and all proceeds which are attributable to the Condemnation of business installations, Improvements, structures and buildings belonging to Lessee immediately prior to the taking of possession by the Condemnor as said rights are set forth in Article 6 of this Lease, or to remove any furniture or equipment not intended to be permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee (as opposed to other signage used in the operation of the Premises and associated Improvements), or any personal property, upon the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee’s obligations under this Lease to use the Premises for the Permitted Uses.

2.5.2 Duty to Remove. No earlier than eight (8) years, and no later than seven (7) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert approved by County, such approval not to be unreasonably withheld or delayed, which report details and estimates the cost of removing all Improvements on the Premises at the expiration of the Term. County may give written notice (the “County Removal Notice”) at any time, no later than six (6) years

prior to the expiration of the Term or concurrently upon any earlier termination, of County's election to require Lessee to remove, at the sole cost and expense of Lessee, not later than the expiration of the Term or earlier termination of this Lease, all or any portion of the at grade, above grade and below grade Improvements of any kind whatsoever placed or maintained on the Premises, whether placed thereon or maintained by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings; and if such structures are required to be removed by Lessee, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps. Lessee shall have the right, by written notice to County not later than thirty (30) days prior to the expiration of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender obligations under this subsection 2.5.2 and/or the Lessee's removal obligations under subsection 2.5.4 below to a date not more than one hundred twenty (120) days after the expiration of the Term; provided, however, that all of the Lessee's obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises) shall be applicable during such additional period, including without limitation, the Lessee's obligations with respect to insurance and indemnification, and Lessee's obligation to pay County compensation for such period in an amount equal to the Monthly Minimum Rent rate in effect immediately prior to the expiration of the Term.

If County elects to require Lessee to remove Improvements hereunder pursuant to the County Removal Notice, Lessee shall, no later than the date which is thirty (30) days after Lessee's receipt of the County Removal Notice, provide County with a written plan which sets forth Lessee's proposed method of securing the discharge of Lessee's removal and restoration obligations pursuant to this subsection. Such security plan shall detail (i) the form of security proposed by Lessee, which security shall be either a deposit of funds, or a letter of credit, bond or other form of security in form and amount, and from an issuer, satisfactory to County, and (ii) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (i) above, which schedule shall in all events provide for a full funding of the security not later than two (2) years prior to the expiration of the Term. The amount of the deposit or letter of credit, bond or other security shall be no less than the estimated costs to remove the Improvements set forth in the report described above, adjusted annually to reflect the increase or decrease, if any, in the ENR Index over the ENR Index as of the date of cost estimation set forth in such expert report; provided, however, that in no event shall such adjustment result in a deposit or letter of credit, bond or other security of an amount less than that set forth in the expert report. Any uncured failure by Lessee to deliver the removal and restoration security described in this subsection 2.5.2 shall constitute an Event of Default. If County fails to elect to require Lessee to remove the buildings, structures and Improvements on the Premises as provided above, then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall turn over the Premises to County in good and workmanlike condition, consistent with the condition of other buildings, structures and Improvements of comparable age and construction quality.

2.5.3 County's Right to Remove Improvements. Should Lessee fail to so remove said structures, buildings and Improvements and restore the Premises, County may sell, remove or demolish the same, in event of which sale, removal or demolition Lessee shall reimburse County for any cost or expense thereof in excess of any funds received by County through the security above provided and any consideration received by County as a result of such sale, removal or demolition.

2.5.4 Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease (or within the additional one hundred twenty (120) day period described in subsection 2.5.2 above), Lessee shall in any event remove at its cost and expense such furniture, equipment and personal property as are not firmly affixed to said structures, buildings and Improvements or reasonably necessary for the orderly operation of the Premises. Should Lessee fail to so remove said furniture, equipment and personal property within said period, and said failure continues for thirty (30) days after written notice from County to Lessee, Lessee shall lose all right, title and interest in and thereto, and County may elect to keep the same upon the Premises or to sell, remove, or demolish the same, in event of which sale, removal, or demolition Lessee shall reimburse County for its Actual Costs incurred in connection with such sale, removal or demolition in excess of any consideration received by County as a result of said sale, removal or demolition.

2.5.5 Title to Certain Improvements Passes to County; Lessee to Maintain. As between County and Lessee, title to all utility lines, transformer vaults and all other utility facilities constructed or installed by Lessee upon the Premises shall vest in County upon construction or installation to the extent that they are not owned by a utility company or other third party provider. Notwithstanding that title shall vest in County, all utility lines, transformer vaults and all other utility facilities (other than any sewer, storm drain or other utility systems which have been dedicated to and accepted by County pursuant to a dedication separate from this Lease), shall be maintained, repaired, and replaced, if and as needed, by Lessee during the Term.

### 3. USE OF PREMISES.

3.1 Specific Primary Use. The Premises shall be used by Lessee for the operation and management of (i) a luxury residential apartment project and (ii) such other related and incidental uses as are specifically approved by County (collectively, the foregoing shall be referred to herein as the "Permitted Uses"). Except as specifically provided herein, the Premises shall be used for no other purpose without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 Prohibited Uses. Notwithstanding the foregoing:

3.2.1 Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the

Premises, except in appropriate receptacles intended for such purposes, nor shall any portion of the Premises be maintained so as to render said Premises a fire hazard or unsanitary, unsightly, offensive, or an imminent risk to public health and safety, nor shall any similar activity be permitted on any adjacent public street or adjacent property. Lessee shall be permitted to perform the Development Work on the Premises, provided that such work is conducted in compliance with Article 5 of this Lease.

3.2.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Premises as set forth in this Lease, the following uses of the Premises are expressly prohibited:

3.2.2.1 The Premises shall not be used or developed in any way which is in violation of any Applicable Laws;

3.2.2.2 The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity; provided, however, that this subsection 3.2.2.2 shall not be interpreted to regulate in violation of Applicable Law the private activity of an individual that is confined to such individual's private residence;

3.2.2.3 No improvement on the Premises shall be permitted to fall into disrepair and all Improvements shall at all times be kept in good condition and repair consistent with the requirements of Section 10.1 of this Lease;

3.2.2.4 No condition shall be permitted to exist upon the Premises which shall induce, breed or harbor infectious plant diseases, rodents, or noxious insects and Lessee shall take such measures as are appropriate to prevent any conditions from existing on the Premises which create a danger to the health or safety of any persons residing or working at, or persons patronizing, the Premises;

3.2.2.5 Without the prior written reasonable approval of Director, no antennae or other device for the transmission or reception of television signals or any other form of electromagnetic radiation shall be erected, used or maintained by Lessee outdoors above ground on any portion of the Premises, whether attached to an improvement or otherwise; provided that the foregoing requirement to obtain Director's approval as to any antennae or other transmission or reception devices shall be inapplicable to the extent that such requirement violates Applicable Law;

3.2.2.6 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (i) as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease,

and (ii) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure; and

3.2.2.7 Except for the Excluded Conditions and the Seawall, no adverse environmental condition in violation of Applicable Laws shall be permitted to exist on any portion of the Premises, nor shall any toxic or hazardous wastes be permitted to be generated, treated, stored, disposed of, or otherwise deposited in or on or allowed to emanate from the Premises or any portion thereof, including, without limitation, into the surface waters and subsurface waters thereof; provided, however, that toxic or hazardous substances may be stored or used, so long as such storage and use is (a) ancillary to the ordinary course of business of an otherwise Permitted Use with the intent that such substances will be used in the ordinary course of business, and (b) conducted in compliance with all Applicable Laws.

3.3 Active Public Use. The parties acknowledge that the ultimate objective of this Lease is the complete and continuous use of the facilities and amenities located in Marina del Rey by and for the benefit of the public, without discrimination as to race, gender or religion, along with the generation and realization of revenue therefrom. Accordingly, Lessee agrees and covenants that it will operate the Premises fully and continuously (except to the extent that Lessee is prevented from doing so due to Force Majeure or due to temporary interruption for maintenance and repair) in light of these objectives, consistent with the operation of luxury residential apartment facilities, and that it will use commercially reasonable efforts so that County may obtain maximum revenue therefrom as contemplated by this Lease. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

3.4 Days of Operation. The Promenade (as defined in Section 15.19) shall be open every day of the year. Any changes in the days and/or hours of operation of the Promenade shall be subject to the written approval of County.

3.5 Signs and Awnings. Any and all art, displays, identifications, monuments, awnings, advertising signs and banners which are placed on, or are visible from, the exterior of the Premises shall be only of such size, design, wording of signs and color as shall have been specifically submitted to and approved by Director (and to the extent required under then Applicable Law, the Design Control Board), whether pursuant to Article 5 of this Lease or otherwise, in writing, prior to the erection or installation of said art, sign, display, identification, monument, awning or advertising sign. Director shall not unreasonably withhold its approval of the matters described in this Section 3.5. Any dispute as to whether Director has unreasonably withheld its approval of a matter described in this Section 3.5 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises. Without limitation of the foregoing, Lessee shall comply with (i) all conditions and requirements of Coastal Development Permit No(s). \_\_\_\_\_, and (ii) all public access requirements of the Marina del Rey

Local Coastal Program, as amended. **[PRIOR TO LEASE EXECUTION INSERT REFERENCE TO THE AFFORDABLE HOUSING REQUIREMENTS APPLICABLE TO THE PREMISES IN ACCORDANCE WITH SECTION 8 OF THE OPTION AGREEMENT AND FINAL ENTITLEMENTS.]**

3.7 Rules and Regulations. Lessee agrees to comply with such other reasonable rules and regulations governing the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to other residential apartment facilities in Marina del Rey, and delivered in writing to Lessee. Any dispute as to whether County has acted unreasonably in connection with the matters described in this Section 3.7 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.8 Reservations. Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all encumbrances, reservations, licenses, easements and rights of way (a) existing as of the Effective Date, or (b) otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, or (c) consented to by Lessee.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior matters of record and the right of County or City existing as of the Effective Date or otherwise disclosed to or known to Lessee, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City to convey such easements and transfer such rights to others. Notwithstanding the foregoing or anything herein to the contrary, County agrees to cooperate with Lessee, at Lessee's cost, in Lessee's efforts to address title matters, if any, which would prevent Lessee from proceeding with the development of the Premises in accordance with the Development Work, as long as such efforts do not materially adversely affect the County (e.g., cooperating with Lessee in the relocation at Lessee's cost of any easements which interfere with the Development Work, to the extent such relocation is reasonably acceptable to County).

#### 4. PAYMENTS TO COUNTY.

4.1 Net Lease. The parties acknowledge that the rent to be paid by Lessee under this Lease is intended to be absolutely net to County. The rent and other sums to be paid to County hereunder are not subject to any demand, set-off or other withholding. Except as specifically set forth herein, Lessee shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Premises, including without limitation the parking areas included within the Premises.

4.1.1 Utilities. In addition to the rental charges as herein provided, Lessee shall pay, or cause to be paid, all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection and all other utilities and services, to said Premises.

4.1.2 Taxes and Assessments. Lessee agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the State, County, City or any tax or assessment levying body upon any interest in this Lease or any possessory right which Lessee may have in or to the Premises covered hereby or to the Improvements thereon for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and property owned by it in, on or about the Premises. Lessee's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the grant to Lessee of the Option or Lessee's exercise thereof. Lessee shall have the right to contest the amount of any assessment imposed against the Premises or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein are derived from the Lessee's interest under this Lease and that Lessee's interest requires the payment of a possessory interest tax.

4.2 Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County (a) the Annual Minimum Rent described in subsection 4.2.1 below, (b) the Percentage Rent described in subsection 4.2.2 below, and (c) the Supplemental Percentage Rent described in subsection 4.2.3 below. For purposes of this Lease, "Annual Rent" shall mean the aggregate of the Annual Minimum Rent, Percentage Rent and Supplemental Percentage Rent.

4.2.1 Annual Minimum Rent and Monthly Minimum Rent. Lessee shall pay to County the minimum rent described in this subsection 4.2.1 (subject to adjustment pursuant to subsection 4.2.4 and Section 4.3 below) during each Lease Year of the Term (the "Annual Minimum Rent"). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Minimum Rent (the "Monthly Minimum Rent"); provided, however, if any Lease Year is shorter or longer than a calendar year, then the Annual Minimum Rent shall be calculated on a pro rata basis based on the number of days in the applicable period as compared to 365, and Monthly Minimum Rent shall be payable in equal monthly installments of such pro rata Annual Minimum Rent. During each Lease Year (or portion thereof) during the period from the Effective Date through the first forty-two (42) months following the Effective Date, the Annual Minimum Rent shall be One Hundred Eight Thousand Five Hundred Dollars (\$108,500.00) per annum. During each Lease Year (or portion thereof) during the period from the forty-third (43<sup>rd</sup>) through seventy-second (72<sup>nd</sup>) month after the Effective Date, the Annual Minimum Rent shall be One Hundred Fifty-One Thousand Nine Hundred Dollars (\$151,900.00) per annum. Commencing with the first day of the seventy-third (73<sup>rd</sup>) month after the Effective Date, the Annual Minimum Rent shall be determined in accordance with subsection 4.2.4 below. If the Effective Date occurs on a day other than the first day of a calendar month, then for purposes of calculating the

number of months after the Effective Date, the first (1<sup>st</sup>) month shall consist of both the remainder of the partial calendar month during which the Effective Date occurs and the following full calendar month (and the Minimum Rent payable for such period shall be prorated to reflect that such period is longer than one calendar month).

4.2.2 Percentage Rent. For the purposes of this Lease, “Percentage Rent” for any given month or year shall be defined as the sum of the amounts set forth in this subsection 4.2.2, less the Annual Minimum Rent for such month or year. Gross Receipts (as defined herein) from each transaction, sale or activity of Lessee and/or any sublessee shall be reported under one or more of the following percentage categories, as applicable. It is understood that Article 3 of this Lease provides for the Permitted Uses of the Premises and that the percentage categories listed below are not all applicable to this Lease and are in no way intended to expand or modify the Permitted Uses. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel, has interpreted and may further interpret the percentage categories as set forth in this subsection 4.2.2, with such determinations and interpretations to be a guideline in determining the appropriate categories. Within fifteen (15) days after the close of each and every calendar month of the term hereof, Lessee shall file a report of Gross Receipts and pay to County a sum equal to the total of the following percentages for said previous month, less the amount of the installment of Monthly Minimum Rent paid for said previous month as provided herein:

(a) TWENTY FIVE PERCENT (25%) of Gross Receipts or other fees for the rental or use of boat slips, anchorages, moorings, dockside storage space, and such other facilities and services ancillary thereto as are generally provided in common to tenants thereof, including receipts obtained from persons who live on their boats;

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

(c) TWO PERCENT (2%) of Gross Receipts or other fees charged for the occupancy of apartments and TEN AND ONE-HALF PERCENT (10.5%) of Gross Receipts or other fees charged for (1) the rental or use of meeting rooms, or (2) the rental or use of land and/or water or facilities for activities not otherwise provided for in this section, such as but not limited to television, motion pictures or other media filming purposes;

(c1) TEN PERCENT (10%) of Gross Receipts or other fees charged for the occupancy of (1) offices utilized for banking, financial or investment activities, internal clerical or administrative activities (other than Lessee’s management office), business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, yacht club purposes, or similar uses; or (2) restaurants, stores, shops, or other commercial establishments; provided that, except as provided in subsection 4.2.2.5, Gross Receipts or other fees charged for the occupancy of restaurants, stores, shops or other commercial establishments shall not be included in the calculation of Percentage Rent



under this subsection (c1) if the Gross Receipts from the operation of such businesses are required to be reported under other subsections of this Section;

(d) Intentionally omitted;

(e) FIVE PERCENT (5%) of commissions or other fees earned from boat brokerage, car rental agencies, marine insurance commissions where the sale of insurance is conducted in conjunction with boat sales and/or boat brokerage, laundry and dry cleaning commissions and other similar activities where earnings are normally on a commission basis when said activity is approved in advance by Director;

(f) With respect to service enterprises, including, without limitation, cable television, internet, satellite, telecommunication or other antennae fees, telephone and other utility services, and valet parking services, FIVE PERCENT (5%) of the Gross Receipts received by Lessee or sublessee from such enterprise if Lessee or a sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee or a sublessee from such enterprise if a third (3rd) party provider is the operator of such enterprise

(g) SIX PERCENT (6%) of Gross Receipts received by Lessee or sublessee, or TWENTY PERCENT (20%) of any commissions or fees collected from commercial boating activities including, but not limited to, charter boat, bareboat charters and sportfishing boats;

(h) With respect to the installation and/or operation of coin-operated vending or service machines, including pay telephones, FIVE PERCENT (5%) of the Gross Receipts received by Lessee or sublessee from such enterprise if Lessee or a sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee or a sublessee from such enterprise if a third (3rd) party provider is the operator of such enterprise;

(i) TEN PERCENT (10%) of Gross Receipts from the operation of a bar, tavern, cocktail lounge, discotheque, night club or other facilities engaged primarily in the on-premises sale of alcoholic beverages except as provided for in subsection (j);

(j) THREE AND ONE-HALF PERCENT (3½%) of Gross Receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beach and theater food facilities, except that Gross Receipts from facilities established and operated as a take-out food operation shall be reported under subsection (s); a “take-out food operation” shall mean a restaurant or other food operation a majority of the Gross Receipts from which are derived from the sale of food or beverages to be consumed off-site;

(k) Intentionally omitted;

(l) Intentionally omitted;

(m) FIFTEEN PERCENT (15%) of Gross Receipts from club dues, initiation fees, and assessments, except that separate assessments for capital improvements may be exempted; provided that to qualify for such an exemption Lessee must comply with the “Criteria for Eligibility for Exemption of Special Assessments from Gross Receipts” issued by the Director;

(n) Intentionally omitted;

(o) Intentionally omitted;

(p) Intentionally omitted;

(q) FIVE PERCENT (5%) of Gross Receipts of cover charges or other fees charged for admission to facilities featuring entertainment, excluding movie theaters, whose Gross Receipts shall be reportable under subsection (s);

(r) TWENTY PERCENT (20%) of Gross Receipts from parking fees, except that (1) parking fees or charges, if any, which are collected in conjunction with an activity the Gross Receipts from which are required to be reported in a percentage category higher than twenty percent (20%) shall be included in Percentage Rent at such higher percentage; and (2) valet parking charges, fees and tips shall not be included in Percentage Rent under this subsection, but instead shall be included in Percentage Rent under subsection (f) above;

(s) FIVE PERCENT (5%) of Gross Receipts from the sale of miscellaneous goods and services consistent with the Permitted Uses but not specifically provided for elsewhere in this subsection;

(s1) FIVE PERCENT (5%) of the Gross Receipts from the operation of all stores, shops or boutiques selling items at retail; and,

If with the prior approval of County or Director Lessee hereafter engages in a use that is not currently permitted under this Lease and as to which there is no specific percentage set forth above applicable to such additional or related use, then concurrent with the approval by County or Director of such specific additional use, Director and Lessee shall negotiate in good faith with Lessee to establish the specific percentage to be applied to such use. Such percentage shall be the greater of (1) the average percentage received by County with respect to that category of activities within Marina del Rey, California at the time of approval of the additional or related use, and (2) the most recent agreement between County and a Marina del Rey lessee, whether by arbitration or otherwise, with respect to the appropriate percentage to be applied to that use. The percentage rent for the additional or related use as determined pursuant to this paragraph shall remain in effect until the next Renegotiation Date.

4.2.2.1 Other Activities. If Director or Lessee reasonably determine that a percentage of Gross Receipts is not suitable or applicable for a particular activity not described above, although permitted hereunder, Director and Lessee shall mutually establish a minimum monthly payment to County as payment for

the privilege of engaging therein, which shall remain effective until the next Renegotiation Date. Said minimum monthly amount shall be reasonable in accordance with the revenue generated by such activity and shall be included in Percentage Rent, as determined hereunder, in lieu of a percentage of Gross Receipts therefor.

4.2.2.2 Accounting Records and Procedures. Lessee agrees to and shall comply with, and shall cause all of its sublessees, licensees, permittees and concessionaires to agree to and comply with, the recordkeeping and accounting procedures, as well as the inspection and audit rights granted to County, set forth in Article 14 of this Lease.

4.2.2.3 Gross Receipts. Except as herein otherwise provided, the term "Gross Receipts" as used in this Lease means all money, cash receipts, or other things of value, including but not limited to gross charges, sales, rentals, common area maintenance payments, operating expense reimbursements, fees and commissions made or earned by Lessee and/or all its assignees, Sublessees, licensees, permittees or concessionaires, from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale of goods, wares or merchandise, calculated in accordance with the accounting method described in the last sentence of Section 14.1.

(1) Except as otherwise set forth herein, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, without limitation, salaries, wages, costs of goods, interest, debt amortization, rent credit (but the value of any free rent period shall not be imputed as Gross Receipts), collection costs, discounts from credit card operations, insurance and taxes.

(2) Gross Receipts shall not include direct taxes imposed upon the consumer and collected therefrom by Lessee such as, without limitation, retail sales taxes, excise taxes, or related direct taxes paid periodically by Lessee to a governmental agency accompanied by a tax return statement.

(3) Gross Receipts reported by Lessee and its Sublessees, assignees, licensees, Lessees and permittees must include the usual charges for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees. Bona fide bad debts actually accrued by Lessee for amounts owed by subtenants, assignees, licensees concessionaires or permittees may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

(4) Gross Receipts shall not include any of the following items:

a. goods returned to suppliers or which are delivered for resale (as opposed to delivery) to another retail location or to a warehouse or to any retailers without profit to Lessee, where such returns or deliveries are made solely for the convenient operation of the business of Lessee or sublessee and not for the purpose of consummating a sale made in, about or from the Premises;

b. an amount equal to the cash refunded or credit allowed on merchandise returned by customers and accepted by Lessee, or the amount of cash refunded or credit allowed thereon in lieu of Lessee's acceptance thereof, but only to the extent that the sales relating to such merchandise were made in, about or from the Premises; provided that whenever Lessee accepts a credit slip as payment for goods or services, the amount of credit shall be included in Gross Receipts;

c. sales of fixtures, equipment or property which are not Lessee's stock in trade;

d. receipts from insurance claims other than rental interruption or business interruption insurance related to the replacement of Gross Receipts;

e. interest earned by Lessee on funds arising from the Premises or the use thereof, deposited or maintained by Lessee in banks or similar financial institutions;

f. the Cost of Lessee's subtenants' submetered electricity, provided (1) each subtenant's obligation to reimburse Lessee for such subtenant's electrical charges is separate and apart from such tenant's obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the subtenant's electricity; and, (3) the receipt is actually credited against the cost of the subtenant's electricity. For the purpose of the foregoing sentence, the "Cost" of the subtenant's electricity shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility's electric bill that is allocable to the subtenant based on such subtenant's submetered consumption of electricity, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced. County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease. The terms and provisions of this paragraph f

shall also be applicable to other submetered utility charges to the extent that it is customary for subtenants to be responsible for such other utility charges.

g. amounts received for services rendered by a Sublessee of an individual apartment unit in connection with the operation by such Sublessee of an in-home business in such apartment unit, as long as the primary purpose of Sublessee's use of the apartment unit is for residential occupancy and such in-home business is an incident to such residential use.

4.2.2.4 Excess Payments Credit. If rent payments actually made by Lessee in a particular Lease Year exceed the total rentals actually due for that year as computed on an annual basis at the end of each Lease Year, Lessee shall be permitted to credit that excess amount ("Excess Percentage Rent Payment") against the succeeding monthly installments of Percentage Rent otherwise due under this subsection 4.2.2 until such time as the entire Excess Percentage Rent Payment has been recouped. If Lessee makes an Excess Percentage Rent Payment in the final Lease Year of the Term, County shall refund such amount to Lessee within thirty (30) days of its discovery and verification of such overpayment.

4.2.2.5 Effect of Sublessee, etc. Doing Business. Except as specifically provided to the contrary in this Lease, where a sublessee, licensee, or permittee is conducting a business or engaged in any use or occupation or any combination thereof on Lessee's leasehold except for those uses or occupations delineated under Item (1) of subsection (c1) of subsection 4.2.2, Lessee shall report whichever of the following results in the greater percentage rental: (1) the Gross Receipts of each sublessee under one or more of the appropriate subsections of this Section; or (2) Lessee's receipts from each sublessee under subsection (c) or (c1) of this Section.

4.2.2.6 Interest; Etc. Interest, service or late charges collected in conjunction with a transaction, sale or activity of Lessee or Sublessee shall be reported in the same percentage category as the transaction, sale or activity is reported.

4.2.2.7 Percentage Rent Does Not Affect Permitted Uses. It is understood and acknowledged by Lessee that Section 3.1 of this Lease sets forth the Permitted Uses of the Premises by Lessee; thus, the Percentage Rent categories listed in subsection 4.2.2 are not all necessarily applicable to this Lease and are in no way intended to expand the Permitted Uses.

4.2.2.8 Policy Statements. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel may further interpret the definition of gross receipts, with such interpretations to be a guideline in implementing the foregoing subsections of this Lease.

4.2.3 Supplemental Percentage Rent. In addition to Annual Minimum Rent and Percentage Rent, commencing with the Lease Year in which the Completion Date occurs and with respect to Apartment Gross Receipts for the month following the month in which the Completion Date occurs, Lessee shall pay Supplemental Percentage Rent, as defined and calculated in accordance with the terms and provisions of this subsection 4.2.3.

4.2.3.1 Definitions. For purposes hereof, the following terms shall be defined as set forth below:

“Apartment Gross Receipts” means Gross Receipts for the occupancy of apartments under category (c) of subsection 4.2.2 (i.e., those Gross Receipts on which Percentage Rent is calculated at the rate of 2%).

“Apartment Percentage Rent” means Percentage Rent paid by Lessee pursuant to subsection 4.2.2 with respect to Apartment Gross Receipts (i.e., 2% of Apartment Gross Receipts).

“Cumulative Apartment Gross Receipts” as of the end of a particular Lease Year means the aggregate of Apartment Gross Receipts for such Lease Year and all Lease Years preceding such Lease Year after the Effective Date of this Lease commencing with the month following the month in which the Completion Date occurs (referred to herein and on Exhibit F as “Month 1”).

“Cumulative Apartment Gross Receipts Threshold” for a particular Lease Year means the aggregate of the Apartments Gross Receipts Thresholds set forth on Exhibit F commencing with Month 1 and continuing through the month of December for such Lease Year.

“Cumulative Apartment Percentage Rent” as of the end of a particular Lease Year means the aggregate of Apartment Percentage Rent paid by Lessee for such Lease Year and all Lease Years preceding such Lease Year, from and after the Apartment Percentage Rent paid for Month 1.

“Cumulative Supplemental Percentage Rent” as of the end of a particular Lease Year means the aggregate of Supplemental Percentage Rent paid by Lessee for such Lease Year and all Lease Years preceding such Lease Year, from and after Month 1.

4.2.3.2 Calculation of Supplemental Percentage Rent. For each Lease Year commencing with the Lease Year in which the Completion Date occurs and continuing during the remaining Term of the Lease, Lessee shall pay additional rent (“Supplemental Percentage Rent”) equal to (a) fifty percent (50%) of the amount (if any) by which the Cumulative Apartment Gross Receipts as of such Lease Year exceeds the Cumulative Apartments Gross Receipts Threshold for such Lease Year, minus (b) the aggregate amount of all Supplemental Percentage Rent paid by Lessee for Lease Years preceding such Lease Year. No Supplemental Percentage Rent shall be payable for a Lease Year unless the

foregoing calculation results in a positive amount. In addition, the Supplemental Percentage Rent payable for any Lease Year shall not exceed an amount which causes the aggregate of the Cumulative Apartment Percentage Rent and Cumulative Supplemental Percentage Rent as of such Lease Year to equal ten and one-half percent (10.5%) of Cumulative Apartment Gross Receipts.

4.2.3.3 Payment of Supplemental Percentage Rent. Supplemental Percentage Rent shall be paid in arrears on an annual basis with respect to each Lease Year commencing with the Lease Year in which the Completion Date occurs and continuing during the remaining Term of the Lease. On or before January 15 following each such Lease Year, Lessee shall deliver to the Director a statement of Apartment Gross Receipts for the immediately preceding Lease Year and the calculation of the amount of Supplemental Percentage Rent payable for such immediately preceding Lease Year. Such statement of Supplemental Percentage Rent shall be in such form and detail as reasonably required by Director. Lessee shall accompany each annual statement of Supplemental Percentage Rent with payment to County of the amount of Supplemental Percentage Rent payable for such immediately preceding Lease Year. Supplemental Percentage Rent is payable in addition to Annual Minimum Rent and Percentage Rent. For purposes of clarification, (a) Lessee shall not be entitled to a credit against, or a reduction of, Annual Minimum Rent or Percentage Rent for any previous, then-current or subsequent Lease Year as to which Apartment Gross Receipts are not of a sufficient amount to generate the required payment of Supplemental Percentage Rent for such Lease Year; and (b) County shall not be required to return any previous payment of Supplemental Percentage Rent to Lessee regardless of the level of Apartment Gross Receipts or Cumulative Apartment Gross Receipts in any subsequent Lease Year.

4.2.4 Adjustments to Annual Minimum Rent. As of each of (a) the first day of the seventy-third (73<sup>rd</sup>) month after the Effective Date, (b) the first January 1 following the last day of the one hundred eighth (108<sup>th</sup>) month after the Effective Date, and (c) every third (3<sup>rd</sup>) consecutive anniversary after such January 1 date, until the first Renegotiation Date (as defined in Section 4.3 below), and thereafter each third (3<sup>rd</sup>), sixth (6<sup>th</sup>) and ninth (9<sup>th</sup>) anniversary of each Renegotiation Date (each an “Adjustment Date” and collectively the “Adjustment Dates”), the Annual Minimum Rent shall be adjusted as provided in this subsection 4.2.4. As of each Adjustment Date, the Annual Minimum Rent shall be adjusted to the amount that equals seventy-five percent (75%) of the average total of the following Annual Rent amounts that were payable by Lessee to County for each year of the three (3) year period immediately preceding such Adjustment Date: (i) 100% of Annual Minimum Rent, (ii) 100% of Percentage Rent (in excess of Annual Minimum Rent), and (iii) 25% of Supplemental Percentage Rent. Notwithstanding any contrary term or provision of this subsection 4.2.4, the Annual Minimum Rent shall never be reduced on an Adjustment Date to an amount less than the amount of the Annual Minimum Rent in effect immediately prior to such Adjustment Date.

4.3 Renegotiation of Annual Minimum and Percentage Rents. Effective on the twentieth (20th) anniversary of the Effective Date, and each tenth (10th) anniversary thereafter (each a “Renegotiation Date” and collectively, the “Renegotiation Dates”), the Annual Minimum Rent and Percentage Rent shall be readjusted to the Fair Market Rental Value (as defined below) of the Premises.

4.3.1 Fair Market Rental Value. As used herein, “Fair Market Rental Value” shall mean, as of each Renegotiation Date, the fair market rent (including an annual minimum rent), expressed as respective percentages of Gross Receipts in accordance with the categories enumerated in subsection 4.2.2, which the Premises would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and the respective tenant are dealing at arms length and neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings. Notwithstanding any contrary provision of this Lease, in no event shall (i) the percentage of Gross Receipts applicable under category (a) of subsection 4.2.2 (i.e., 25%), (ii) the percentage of Gross Receipts applicable to the occupancy of apartments under category (c) of subsection 4.2.2 (i.e., 2%), nor (iii) the terms and provisions of subsection 4.2.3 with respect to the payment of Supplemental Percentage Rent, be modified as of any Renegotiation Date and such restriction upon modification of the items in clauses (i) through (iii) of this sentence shall have no effect on the determination of the Fair Market Rental Value percentages for the payment of Percentage Rent with respect to the other categories of Gross Receipts set forth in subsection 4.2.2, each of which shall be determined on a separate, unrelated basis. In addition, notwithstanding any contrary provision of this Lease, in connection with the readjustment of Annual Minimum Rent as of a Renegotiation Date pursuant to this subsection 4.3.1, in no event shall the Annual Minimum Rent ever be reduced to an amount less than the Annual Minimum Rent in effect immediately prior to such Renegotiation Date.

4.3.2 Renegotiation Period. Not more than one (1) year nor less than nine (9) months prior to the Renegotiation Date, Lessee shall deliver to County written notice setting forth Lessee’s determination of the Fair Market Rental Value of the Premises with respect to those components of Annual Rent that are subject to potential adjustment. Lessee’s notice shall include a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as Lessee deems relevant or as may be reasonably requested by County. Within one hundred twenty (120) days after receipt of Lessee’s notice, if County disagrees with Lessee’s determination, County shall deliver to Lessee written notice of such disagreement, together with County’s determination of Fair Market Rental Value and a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as County deems relevant or as may be reasonably requested by Lessee, to the



extent available to County. If County fails to deliver to Lessee notice of its disagreement within the aforementioned period and such failure continues for fifteen (15) days after receipt of written notice from Lessee, then Lessee's determination of Fair Market Rental Value shall be binding on County as of the Renegotiation Date; provided, however, that Lessee's notice to County shall conspicuously state in bold faced type that such determination of Fair Market Rental Value shall be binding on County unless County delivers notice of its disagreement within such fifteen (15) day period.

If Lessee fails to deliver the notice described in the first sentence of this subsection, setting forth Lessee's determination of Fair Market Rental Value, and such failure continues for fifteen (15) days after receipt of written notice from County, then County shall submit its determination of Fair Market Rental Value to Lessee, and Lessee shall have fifteen (15) days after the submittal by County to Lessee of County's determination of Fair Market Rental Value to deliver to County written notice of Lessee's agreement or disagreement with County's determination. If Lessee fails to deliver notice of such disagreement within such fifteen (15) day period and County's notice to Lessee conspicuously stated in bold faced type that such determination of Fair Market Rental Value shall be binding on Lessee unless Lessee delivers notice of its disagreement within such fifteen (15) day period, then County's determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.

4.3.3 Negotiation of Fair Market Rental Value. If County (or Lessee, as the case may be) does so notify Lessee (or County, as the case may be) of its disagreement as provided in subsection 4.3.2, County and Lessee shall have sixty (60) days from the end of the applicable response period in which to agree upon the Fair Market Rental Value for those components of the Annual Rent that are subject to potential adjustment. County and Lessee shall negotiate in good faith during said sixty (60) day period. If the parties do so agree, they shall promptly execute an amendment to this Lease setting forth the Fair Market Rental Value so jointly determined, to be effective upon the Renegotiation Date. Director shall be authorized to execute any such amendment on behalf of County. During the period of negotiation, Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to the obligation to continue to pay to County Annual Minimum Rent and Percentage Rent at the then-existing levels.

4.3.4 Arbitration. If County and Lessee fail to reach agreement during the sixty (60) day period set forth in subsection 4.3.3, then, unless the parties agree otherwise, the Fair Market Rental Value for the components of Annual Rent that are subject to potential adjustment shall be determined by arbitration as set forth in Article 16 of this Lease and the parties shall execute an amendment to this Lease setting forth the Fair Market Rental Value as determined by arbitration. In order to determine Fair Market Rental Value, the arbitrator shall take into consideration all of the terms, conditions and covenants of this Lease, the earning power and all of the factors and data relating to such value required or proper to be considered in determining the fair rental value of leaseholds under the laws of eminent domain in the State of California. During the period of arbitration, County and Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to Lessee's obligation to pay to County Annual Minimum Rent and Percentage Rent at then-existing levels.

4.3.5 Retroactivity. In the event that, pursuant to subsections 4.3.3 or 4.3.4 hereof, the parties execute an amendment to this Lease setting forth adjustments to Annual Minimum Rent or Percentage Rent categories that are subject to Fair Market Rental Value adjustment, such amendment, if executed prior to the Renegotiation Date, shall be effective as of the Renegotiation Date; if executed after the Renegotiation Date, such amendment shall be retroactive to the Renegotiation Date. In the event that such amendment is executed after the Renegotiation Date, then, within thirty (30) days after such execution, Lessee shall pay to County, or County shall at its election pay or credit to Lessee, the difference, if any, between (a) the amounts payable based on such Fair Market Rental Value determination and (b) the actual amounts paid by Lessee to County, for the period of time from the Renegotiation Date until the date of such payment. Lessee (with respect to overpayments) or County (with respect to underpayments) shall further be entitled to interest on each portion of such payment from each date on which the applicable rental payments were payable under this Lease to the date paid or credited, whichever is applicable, at the following rates:

(1) the interest rate applicable to the first six (6) months following the Renegotiation Date shall be equal to the average daily rate for the non-restricted funds held and invested by the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller ("County Pool Rate"); and,

(2) the interest rate applicable to any period of time in excess of six (6) months following the Renegotiation Date shall be the Prime Rate of interest in effect from time to time during the period from the date that is six (6) months after the Renegotiation Date until the date of payment.

4.4 Payment. Monthly Minimum Rent shall be paid by Lessee in advance. Payments of Minimum Monthly Rent shall be received by County on or before the first day of each calendar month of the Term. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in subsection 4.2.2.4. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand.

4.5 Late Fee. In the event any payment under this Lease is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee ("Late Fee") of six percent (6%) of the unpaid amount shall be added to any amount unpaid when due and payable; provided that the Late Fee shall be waived with respect to the first occurrence during any Lease Year of a late payment if such payment is received by County within one (1) business day following written notice from County that the unpaid amount was not paid by the date due. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County); provided, however, with respect to any obligation of an Encumbrance Holder in connection with the exercise of its cure rights under Article 12 below, interest accrual on any particular obligation for periods prior to the Encumbrance Holder's acquisition of leasehold title to the Premises shall be limited to a maximum of three (3) years.Changes of Ownership and Financing Events. Except as otherwise provided in this Section 4.6, each time Lessee proposes either (a) a Change of Ownership (that is not an Excluded Transfer) or (b) a Financing Event, County shall be paid (1) an Administrative Charge equal to the Actual Cost incurred by County in connection with its review and processing of said Change of Ownership or Financing Event ("Administrative Charge") and (2) a Net Proceeds Share, in the event County approves such proposed Change of Ownership or Financing Event and such transaction is consummated. "Net Proceeds Share" shall mean the applicable amount determined pursuant to Section 4.8 of this Lease. Changes of Ownership and Financing Events are further subject to County approval as provided in Articles 12 and 13 of this Lease.

4.6.1 Change of Ownership. "Change of Ownership" shall mean (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease, (b) the execution by Lessee of a Major Sublease or the transfer by the Major Sublessee under a Major Sublease of a five percent (5%) or greater direct ownership interest in such Major Sublease, (c) any transaction or series of related transactions not described in subsections 4.6.1(a) or (b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial residual interests in Lessee or a Major Sublessee, or (d) a Change of Control (as defined below) of Lessee or a Major Sublessee.

For the purposes of this Lease, "Change of Control" shall refer to a transaction whereby the transferee acquires a beneficial residual interest in Lessee or a Major Sublessee which brings its cumulative beneficial residual interest in Lessee or a Major Sublessee, as appropriate, to over fifty percent (50%).

4.6.2 Excluded Transfers. Notwithstanding anything to the contrary contained in this Lease, Changes of Ownership resulting from the following transfers ("Excluded Transfers") shall not be deemed to create an obligation to pay County a Net Proceeds Share or any Administrative Charge:

4.6.2.1 a transfer by any direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to any other direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date (or the date of such most recent previous approved Change of Ownership), including in each case to or from a trust for the benefit of the immediate family (as defined in Subsection 4.6.2.3 below) of any direct or indirect partner, shareholder or member of Lessee who is an individual;

4.6.2.2 a transfer to a spouse (or to a domestic partner if domestic partners are afforded property rights under then-existing Applicable Laws) in connection with a property settlement agreement or decree of dissolution of marriage or legal separation, as long as such transfer does not result in a Change of Control of Lessee or a change in the managing member or general partner of Lessee;

4.6.2.3 a transfer of ownership interests in Lessee or in constituent entities of Lessee (i) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), (ii) to a trust for the benefit of a member of the immediate family of the transferor, (iii) from such a trust or any trust that is an owner in a constituent entity of Lessee as of the Effective Date (or the date of the most recent previous approved Change of Ownership after the Effective Date), to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this Subsection 4.6.2.3 is the result of gift, devise, intestate succession or operation of law, or (iv) in connection with a pledge by any partners of a constituent entity of Lessee to an affiliate of such partner;

4.6.2.4 a transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock (or securities) is (are) traded publicly on a national stock exchange or traded in the over-the-counter market and whose price is regularly quoted in recognized national quotation services;

4.6.2.5 a mere change in the form, method or status of ownership, as long as there is no change in the actual beneficial ownership of this Lease, Lessee or a Major Sublease, and such transfer does not involve an intent to avoid Lessee's obligations under this Lease with respect to a Change of Ownership;

4.6.2.6 any transfer resulting from a Condemnation by County;

4.6.2.7 any assignment of the Lease by Lessee to a parent, subsidiary or affiliate of Lessee in which there is no change to the direct and indirect beneficial ownership of the leasehold interest

4.6.2.8 provided that the Exemption Requirements (as defined below) are satisfied immediately prior to and following any transfer described herein, the transfer in the ordinary course of business of any beneficial interests in the Prudential Fund (as defined below);

4.6.2.9 transfers of any direct or indirect beneficial interests in Prudential (as defined below); or

4.6.2.10 provided that the Exemption Requirements are satisfied immediately before and after the transfer, the transfer of the Prudential Fund's direct or indirect interest in Lessee from one Prudential Fund to another Prudential Fund or in connection with a reorganization or restructuring of such Prudential Fund.

For purposes of Subsections 4.6.2.8 through 4.6.2.10 above and Subsection 4.8.8 below, the following terms shall have the following meanings:

“Control” and its derivative terms such as “Controlling” or “Controlled” shall mean the direct or indirect power to direct the management, policies and/or decision making of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

“Exemption Requirements” means the satisfaction of all of the following: (a) Prudential continues to Control the Prudential Fund, (b) the beneficial interests of the Prudential Fund in Lessee constitute less than ten percent (10%) of the total assets held by such Prudential Fund (in terms of market value), and (c) no single person or entity (or group of affiliated persons or entities) holds more than fifteen percent (15%) of the total beneficial interests in the Prudential Fund.

“PRISA” means the investment fund managed by PGIM Real Estate and known as “PRISA”.

“Prudential” means Prudential Financial, Inc., a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PFI”) and/or The Prudential Insurance Company of America, a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PICA”) and/or PGIM, Inc., a New Jersey corporation (or such other legal name or d/b/a name under which such entity may do business from time to time, “PGIM”);

“Prudential Fund” means PRISA and/or any other real estate investment fund or separate account that is managed or advised by Prudential.

4.6.3 Aggregate Transfer. “Aggregate Transfer” shall refer to the total percentage of the shares of stock, partnership interests, membership interests or any other equity interests (which constitute beneficial residual interests in Lessee or a Major Sublessee, as appropriate) transferred or assigned in one transaction or a series of related transactions (other than those enumerated in subsection 4.6.2) occurring since the later of (a) the Effective Date, (b) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County; provided, however, that there shall be no double counting of successive transfers of the same interest in the case of a transaction or series of related transactions involving successive transfers of the same interest. Isolated and unrelated transfers shall not be treated as a series of related transactions for purposes of the definition of Aggregate Transfer.

4.6.4 Beneficial Residual Interest. As used in this Lease, “beneficial residual interest” shall refer to the ultimate direct or indirect ownership interests in Lessee (or a Major Sublessee, as applicable), regardless of the form of ownership and regardless of whether such interests are owned directly or through one or more layers of constituent partnerships, corporations, limited liability companies or trusts.

4.6.4.1 Interests Held By Entities. Except as otherwise provided herein, an interest in Lessee, this Lease or a Major Sublease held or owned by a partnership, limited liability company, corporation or other entity shall be treated as owned by the partners, members, shareholders or other equity holders of such entity in proportion to their respective equity interests, determined by reference to the relative values of the interests of all partners, members, shareholders or other equity holders in such entity. Where more than one layer of entities exists between Lessee or a Major Sublessee, as appropriate, and the ultimate owners, then the foregoing sentence shall be applied successively to each such entity in order to determine the ownership of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, and any transfers thereof.

4.6.4.2 Ownership of Multiple Assets. The proceeds of any event constituting or giving rise to a Change of Ownership shall be apportioned to this Lease or a Major Sublease, whichever is appropriate, and to any other assets transferred in the same transaction in proportion to the relative fair market values of the respective assets transferred. The Net Proceeds Share shall be calculated only by reference to the amount of such proceeds apportioned to this Lease, a Major Sublease or the beneficial interests therein, whichever is appropriate.

4.7 Calculation and Payment. A deposit of Fifteen Thousand and 00/100 Dollars (\$15,000) toward the Administrative Charge shall be due and payable upon Lessee’s notification to County of the proposed Change of Ownership (that is not an Excluded Transfer) or Financing Event and request for County’s approval thereof. If the transaction is approved, the balance of the Administrative Charge, if any, and the Net Proceeds Share shall be due and payable concurrently with the consummation of the transaction constituting the Change of Ownership or Financing Event giving rise to the obligation to pay such fee, regardless of whether or not money is transferred by the parties in connection with such consummation. If County disapproves the

proposed transaction then, within thirty (30) days after notice of its disapproval, County shall deliver to Lessee a written notice setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge), together with a refund of the amount, if any, of the deposit in excess of the Administrative Charge otherwise allowable under Section 4.6. In the event that the Administrative Charge exceeds the deposit, then Lessee shall pay County the balance of the Administrative Charge otherwise allowable under Section 4.6 within thirty (30) days after receipt of the notice from County setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice. Together with its request for County approval of the proposed transaction, Lessee, a Major Sublessee or the holder of a beneficial interest in this Lease or a Major Sublease, whichever is appropriate, shall present to County its calculation of the Net Proceeds Share (if any) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs, if any, which may result from the payment of such Net Proceeds Share ("Calculation Notice"). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County's agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. Failure of County to approve the Calculation Notice in writing within such thirty (30) day period shall be deemed to constitute County's disapproval thereof. Failing mutual agreement within thirty (30) days after the expiration of said thirty (30) day period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs, then the transaction may be consummated after County has disapproved Lessee's Calculation Notice; provided, however, that (i) Lessee shall remit to County as otherwise required hereunder the undisputed portion of the Net Proceeds Share and (ii) Lessee shall deposit the disputed portion of the Net Proceeds Share into an interest bearing escrow account at the closing of the transaction (or deliver to County a letter of credit or other security reasonably acceptable to County in the amount of the disputed portion), which disputed portion shall be distributed in accordance with the arbitration of the dispute pursuant to Article 16 of this Lease, in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value.

4.7.1 Transfer of Less Than Entire Interest. Where a Change of Ownership has occurred by reason of the transfer of less than all of an owner's beneficial interest in Lessee, this Lease or a Major Sublease, the Net Proceeds Share shall be due and payable with respect to those portions of such beneficial interest that have been acquired by the transferee since the latest of (a) the Effective Date, (b) the most recent event creating Lessee's obligation to pay a Net Proceeds Share (including without limitation an approval by County of a transfer at a price which falls below the threshold for paying a Net Proceeds Share) with respect to this Lease (or a Major Sublease), or (c) the date which is twelve (12) months prior to the transfer which constitutes the Change of Ownership.

4.7.2 Purchase Money Notes. If the transferor of an interest accepts a note made by the transferee of such interest in payment of all or a portion of the acquisition cost (a "Purchase Money Note"), such note shall be valued at its face amount; provided that if the interest rate on such Purchase Money Note is in excess of a market rate, then the value of such note shall be increased to reflect such above-market rate. Any disputes between County and Lessee as to whether the interest rate on a Purchase Money Note is in excess of a market rate or with respect to the valuation of a Purchase Money Note with an above-market rate of interest, shall be settled by arbitration pursuant to Article 16 below.

4.7.3 Obligation to Pay Net Proceeds Share and Administrative Charge. With respect to a Change of Ownership giving rise to the Administrative Charge and Net Proceeds Share, the obligation to pay the Administrative Charge and Net Proceeds Share shall be the joint and several obligation of the transferor and transferee. In the event that the Administrative Charge or Net Proceeds Share is not paid when due with respect to the beneficial interest in this Lease, then County shall have the remedies set forth in Section 13.3 hereof; provided, however, in the case of a transfer of an interest in Lessee (as opposed to a transfer by Lessee of an interest in the Lease or the Premises) in which the transferor and transferee fail to pay the Administrative Charge and/or Net Proceeds Share due hereunder, as long as Lessee uses its best efforts to cause the payment of the required Administrative Charge and Net Proceeds Share to be made, County shall, for a period of up to three (3) years following the Change of Ownership, forebear from exercising any right to terminate the Lease as a result thereof; provided further that at the end of such three (3) year period County shall no longer have any obligation to forebear from terminating the Lease if the Administrative Charge and Net Proceeds Share, plus interest as described below, has not been paid in full. An Administrative Charge and Net Proceeds Share not paid when due hereunder shall bear interest at the Prime Rate plus three percent (3%). For purposes of determining whether County is required to forebear from terminating the Lease as described above, Lessee's obligation to use its best efforts to cause the payment of the unpaid Administrative Charge and/or Net Proceeds Share shall include the obligation at Lessee's expense, to institute a legal action against the transferor and transferee within ninety (90) days following the date of the transfer and to diligently prosecute such legal action to completion.

4.8 Net Proceeds Share. If the first Change of Ownership that occurs that is not an Excluded Transfer is a Change of Ownership that results in no AIG Entity retaining any beneficial residual interest in this Lease or the then-existing Lessee immediately following such Change of Ownership (an "AIG Termination Transaction"), then no Net Proceeds Share shall be paid on such Change of Ownership. With respect to the first Change of Ownership after the Effective Date that is not an Excluded Transfer, but excluding an AIG Termination Transaction that is the first Change of Ownership after the Effective Date (the "First Non-Exempt Change of Ownership"), the Net Proceeds Share shall be the amount by which the greater of the following exceeds the Administrative Charge paid by Lessee to County in connection with such Change of Ownership: (a) the lesser of (i) the Net Transfer Proceeds from such Change of Ownership, or (ii) two percent (2%) of the Gross Transfer Proceeds from such Change of Ownership; or (b) ten percent (10%) of the Net Transfer Proceeds from such Change of Ownership. With respect to each subsequent Change of Ownership after the First Non-Exempt Change of Ownership that is



not an Excluded Transfer, the Net Proceeds Share shall be the amount by which the greater of the following exceeds the Administrative Charge paid by Lessee to County in connection with such Change of Ownership: (a) the lesser of (i) the Net Transfer Proceeds from such Change of Ownership, or (ii) five percent (5%) of the Gross Transfer Proceeds from such Change of Ownership; or (b) twenty percent (20%) of the Net Transfer Proceeds from such Change of Ownership. [DRAFTING NOTES: (A) IF AN AIG TERMINATION TRANSACTION OCCURS PRIOR TO THE EFFECTIVE DATE OF THE LEASE, THEN THIS SECTION 4.8 (AND ANY OTHER RELATED PROVISIONS IN THE LEASE) SHALL BE REVISED TO ELIMINATE THE REFERENCES TO AN AIG TERMINATION TRANSACTION AND FOR PURPOSES OF THIS SECTION 4.8 THE FIRST CHANGE OF OWNERSHIP THAT OCCURS AFTER THE EFFECTIVE DATE THAT IS NOT AN EXCLUDED TRANSFER SHALL CONSTITUTE THE FIRST NON-EXEMPT CHANGE OF OWNERSHIP UNDER THIS SECTION 4.8; AND (B) IF A CHANGE IN OWNERSHIP THAT IS NOT AN EXCLUDED TRANSFER AND THAT IS NOT AN AIG TERMINATION TRANSACTION OCCURS PRIOR TO THE EFFECTIVE DATE OF THE LEASE, THEN THIS SECTION 4.8 (AND ANY OTHER RELATED PROVISIONS IN THE LEASE) SHALL BE REVISED TO ELIMINATE THE REFERENCES TO AN AIG TERMINATION TRANSACTION AND TO REFLECT THAT THE FIRST CHANGE OF OWNERSHIP AFTER THE EFFECTIVE DATE THAT IS NOT AN EXCLUDED TRANSFER SHALL BE TREATED IN THE SAME MANNER AS A CHANGE OF OWNERSHIP THAT OCCURS AFTER THE FIRST NON-EXEMPT CHANGE OF OWNERSHIP.]

With respect to each Financing Event, the Net Proceeds Share (if any) shall be the amount by which (I) twenty percent (20%) of the Net Refinancing Proceeds from such Financing Event exceeds (II) the Administrative Charge paid by Lessee to County in connection with the transaction. Notwithstanding the foregoing, in connection with any Financing Event used to fund the acquisition cost of an Excluded Transfer, if such Financing Event is secured by the leasehold or ownership interest that is transferred in such Excluded Transfer, then the Net Refinancing Proceeds from such Financing Event shall not include the portion of the proceeds of such Financing Event used to fund the acquisition cost of such leasehold or ownership interest.

For purposes hereof, "Gross Transfer Proceeds" shall mean an amount equal to the gross sale or transfer proceeds and other consideration given for the interests transferred (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred; if Lessee and County are unable to agree upon such fair value, then the matter shall be determined pursuant to Article 16).

4.8.1 Transaction by Original Lessee. In the case of a transfer by Lessee (but not a transfer by a successor or assignee of Lessee) constituting a Change of Ownership for which a Net Proceeds Share is payable, "Net Transfer Proceeds" shall mean the Gross Transfer Proceeds from the transfer, less the following costs with respect to Lessee (but not its successors or assignees):

4.8.1.1 The sum of (a) the One Hundred Thousand Dollar (\$100,000.00) Option Fee paid by Lessee pursuant to the Option Agreement, plus

(b) actual out-of-pocket costs incurred by Lessee for its third party consultants and attorneys and Actual Costs reimbursed to County in connection with the negotiation and consummation of the Option Agreement and this Lease (the sum of the amounts in (a) and (b) are referred to as the “Base Value”), [DRAFTING NOTE: IF AN AIG TERMINATION TRANSACTION OR ANOTHER CHANGE OF OWNERSHIP THAT IS NOT AN EXCLUDED TRANSFER OCCURS PRIOR TO THE EFFECTIVE DATE, THEN THE BASE VALUE SHALL BE CHANGED TO THE PURCHASE PRICE PAID BY THE LESSEE THAT EXECUTES THIS LEASE PLUS THE AMOUNTS PAID UNDER CLAUSE (b) AFTER SUCH AIG TERMINATION TRANSACTION OR OTHER CHANGE OF OWNERSHIP.] plus (c) (i) the final actual construction costs paid by Lessee in connection with the construction of the Development Work and other capital renovations to the Premises, or other physical capital Improvements or Alterations to the Premises (including future capital redevelopment and rehabilitation work, but not periodic maintenance and repair) constructed by Lessee in compliance with Article 5 of this Lease (including in each case all hard and soft costs, construction period interest on Lessee’s construction loan, and developer fees incurred by Lessee, as long as such developer fees do not exceed four percent (4%) of hard construction costs), which costs have been submitted to County within ninety (90) days after the completion of such Improvements (or in the case of phased construction, within ninety (90) days after the completion of the applicable phase), together with a written certification from Lessee and Lessee’s construction lender, if any, to the effect that such costs are accurate, (ii) all costs incurred by Lessee for the Wetland Park, whether pursuant to Section 5.2 below or as a contribution to the development costs incurred by the lessee of Parcel 9U which may be incurred pursuant to a separate agreement approved by County and (iii) the “Replacement Parking Payment” made by Lessee pursuant to Section 3(e) of the Option Agreement (the amounts described in this clause (c) are referred to as “Improvement Costs”). Notwithstanding the foregoing, with respect to Improvements or Alterations which are not part of the Development Work, Lessee shall submit the cost of such Improvements on an annual basis within ninety (90) days following the end of each fiscal year. If by the date that is ninety (90) days after the completion of the Development Work (or other Improvements) the final amount of the Improvement Costs is not established because of a dispute or disputes between Lessee and its contractor(s), then Lessee shall note such dispute(s) in its submission of the Improvement Costs (including a description of the costs and the amounts under dispute). Lessee shall thereafter notify County in writing within thirty (30) days after the resolution of any such dispute as to any final adjustment required to the amount of the Improvement Costs to reflect the resolution of such dispute.

[DRAFTING NOTE: DEPENDING ON WHETHER THE AIG TERMINATION EVENT HAS OCCURRED AS OF THE EFFECTIVE DATE, THIS SECTION 4.8.1.1 (OR SECTION 4.8.2.1 IF THE AIG TERMINATION EVENT HAS NOT OCCURRED AS OF THE EFFECTIVE DATE) SHALL BE REVISED PRIOR TO LEASE EXECUTION TO PROVIDE THAT THE BASE VALUE AND IMPROVEMENT COSTS FOR THE FIRST SUCCESSOR

LESSEE RESULTING FROM THE AIG TERMINATION TRANSACTION SHALL ACCRUE A 9% PERCENT CUMULATIVE ANNUAL RETURN (COMPOUNDED ANNUALLY) FROM (A) THE EFFECTIVE DATE (OR SUCH LATER DATE AS THE AIG TERMINATION TRANSACTION OCCURS) WITH RESPECT TO THE PURCHASE PRICE PAID BY SUCH SUCCESSOR LESSEE AND FROM THE DATE THAT IMPROVEMENT COSTS OR OTHER BASE VALUE COSTS ARE INCURRED WITH RESPECT TO IMPROVEMENT COSTS OR OTHER BASE VALUE COSTS INCURRED AFTER THE DATE OF THE AIG TERMINATION TRANSACTION, UNTIL (B) THE FIRST DATE THAT 93% OF THE APARTMENT UNITS ARE LEASED AND THE OBLIGATION TO PAY RENT HAS COMMENCED WITH RESPECT TO SUCH APARTMENT UNITS (THE "LESSEE RETURN"). IN ACKNOWLEDGMENT OF THE LESSEE RETURN, IMPROVEMENT COSTS SHALL NOT INCLUDE CONSTRUCTION PERIOD INTEREST FOR SUCH FIRST SUCCESSOR LESSEE AFTER THE AIG TERMINATION TRANSACTION. THE FOREGOING LESSEE RETURN SHALL APPLY TO THE CALCULATION OF NET PROCEEDS SHARE IN THE CASE OF A CHANGE IN OWNERSHIP BY THE FIRST SUCCESSOR LESSEE AFTER THE AIG TERMINATION TRANSACTION, BUT SHALL NOT BE APPLICABLE TO ANY SUBSEQUENT CHANGE OF OWNERSHIP.]

4.8.1.2 Commissions, title and escrow costs, documentary transfer taxes, sales and use taxes, reasonable attorneys' fees, prepayment fees, penalties or other similar charges (such as yield maintenance premiums or defeasance costs), and other bona fide closing costs actually paid to third parties and documented to the reasonable satisfaction of County, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share (collectively, "Documented Transaction Costs").

4.8.1.3 That portion of the principal amount of any Financing Event after the Effective Date that constituted Net Refinancing Proceeds on which Lessee paid County a Net Proceeds Share (or, in the case of a Financing Event on which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6).

4.8.2 Transfer by Lessee's Successor. In the case of a transfer by a Lessee other than the original Lessee, "Net Transfer Proceeds" shall mean the Gross Transfer Proceeds received by that successor, minus the following costs with respect to such successor Lessee:

4.8.2.1 The greatest of (a) the sum of the Base Value, plus Improvement Costs incurred subsequent to the Effective Date but prior to the acquisition of the leasehold interest by such successor, (b) the purchase price such successor paid to Lessee or such successor's seller for the interest acquired or (c) the original principal amount of any Financing Event or Financing Events (on a

non-duplicative basis) after such successor Lessee's acquisition of the leasehold and with respect to which County was paid a Net Proceeds Share (or, in the case of a Financing Event on which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6), plus the principal amount of any financing existing as of the date on which such seller acquired the leasehold or subsequently obtained by Lessee, if such financing has not been refinanced, but without duplication;

4.8.2.2 Improvement Costs actually paid by such successor Lessee after such successor Lessee's acquisition of its leasehold interest in the Premises (but not duplicative of the principal amount of any Financing Event described in clause 4.8.2.1(c) above, the proceeds of which were used to fund such Improvement Costs); provided that such costs have been submitted to County, with an appropriate lender and Lessee certification, as provided in subsection 4.8.1.1; and,

4.8.2.3 Documented Transaction Costs with respect to the transfer of the interest by the successor.

4.8.3 Transfers of Major Sublessee's Interest. With respect to any Change of Ownership described in subsection 4.6.1(b), subsections 4.8.1 and 4.8.2 shall apply, except that any rents or other amounts received by Lessee from the Major Sublessee a percentage of which is passed through to County under any provision of this Lease (other than payment of Net Proceeds Share) shall be disregarded in the computation of Net Transfer Proceeds.

4.8.4 Other Transfers. With respect to any Change of Ownership that is not an Excluded Transfer and is not described in subsections 4.8.1 through 4.8.3 (e.g., a transfer of an interest in an entity holding a direct or indirect ownership interest in this Lease or in a Major Sublease), subsections 4.8.1 and 4.8.2 shall apply to such Change of Ownership, except that in lieu of deducting the Base Value and Improvement Costs in determining Net Transfer Proceeds, the cost to the transferor of the interest being transferred or which was transferred in the past but constitutes a portion of an Aggregate Transfer (which cost shall in no event be deemed to be less than a pro rata share of the Base Value and Improvement Costs (or following a transfer by the original Lessee, such cost shall in no event be deemed to be less than a prorata share of the sum of subsections 4.8.2.1 plus 4.8.2.2 as of the respective date of the transfer of each interest in the aggregation pool)) shall be deducted. Furthermore, in the event that any such Change of Ownership produces a Net Proceeds Share, the then existing Improvement Costs shall be increased by an appropriate amount to reflect the basis on which the Net Proceeds Share was calculated, and the basis of the interest that was transferred and for which a Net Proceeds Share was paid shall also be increased for subsequent transfers of the same interest, as if realized by Lessee upon a transfer of a comparable interest in this Lease or in a Major Sublease, as appropriate.

4.8.5 Net Refinancing Proceeds. "Net Refinancing Proceeds" shall mean the gross principal amount of any Financing Event after the Effective Date (plus in the

case of secondary financing the original principal balance of any existing financing that is not repaid as a part of such secondary financing), minus (i) the greatest of (a) the Base Value plus the Improvement Costs, (b) the original principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share (or, in the case of a Financing Event in connection with which Lessee would have paid a Net Proceeds Share but for the exceptions set forth in Section 4.6) plus if the financing described in this clause (b) was secondary financing, the original principal balance of any then existing financing that was not repaid as a part of such secondary financing, or (c) in the case of a successor Lessee, the purchase price such successor paid to Lessee or such successor's seller for the interest acquired, (ii) any portion of the proceeds of the Financing Event which shall be used for Improvement Costs, (iii) other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event, and (iv) Documented Transaction Costs with respect to such Financing Event, and Documented Transaction Costs with respect to any previous refinancing to the extent such previous refinancing did not produce sufficient Net Refinancing Proceeds against which such Documented Transaction Costs could be offset. Notwithstanding the foregoing, there shall be no double counting of Improvement Costs in clauses (i), (ii) and (iii) above. In addition, notwithstanding any contrary provision of Section 4.6 above pursuant to which a Net Proceeds Share would be due upon a Financing Event, if the purpose of a Financing Event is to fund the acquisition cost (or a portion of the acquisition cost) of a Change of Ownership that is not an Excluded Transfer, then to the extent that the gross principal amount of the Financing does not exceed the gross sale or transfer price of such Change of Ownership, and if the Financing Event is consummated concurrently with the consummation of the Change of Ownership, there shall not be any separate Net Proceeds Share payable in connection with such Financing Event.

4.8.6 Transfers to which Sections 4.6 through 4.8 Apply. The provisions of Sections 4.6 through 4.8 hereof shall apply to all transfers of beneficial interests in this Lease or a Major Sublease which constitute a Change of Ownership, unless such transfers are otherwise excluded pursuant to this Lease. Furthermore, the provisions of Sections 4.6 through 4.8 of this Lease, and the principles set forth therein, shall apply to any transfer or series of transfers which County can demonstrate was primarily structured for the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

4.8.7 Payment. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such share and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share and late fee at the Applicable Rate from the date due until paid; provided that in the case of a dispute as to the correct amount of the Net Proceeds Share there shall be no late fee payable as long as Lessee timely pays to County the undisputed portion of the Net Proceeds Share and deposits the disputed portion thereof in an interest bearing escrow account at the closing of the transaction (or delivers to County a letter of credit or other security reasonably acceptable to County in the amount of such disputed portion). In the event that the proceeds of the transaction giving rise to the

obligation to pay Net Proceeds Share are comprised, in whole or in part, of assets other than cash, then the cash payment of the Net Proceeds Share shall reflect the fair market value of such non-cash assets as of the date of the Change of Ownership, which shall be set forth in the Calculation Notice. Notwithstanding the foregoing, in the case of a Change of Ownership described in subsection 4.6.1(b), the Net Proceeds Share shall be payable to County as and when the Net Transfer Proceeds are received, with the Net Proceeds Share being equitably apportioned to the payments derived by Lessee from said Change of Ownership (other than any payments passed through to County under this Lease).

4.8.8 Shareholder, Partner, Member, Trustee and Beneficiary List. Prior to the Effective Date, prior to each subsequent Change of Ownership or Financing Event and upon the request of County (which requests shall be no more frequent than once per year), Lessee shall provide County with an updated schedule listing the names and mailing addresses of (i) all shareholders, partners, members and other holders of equity or beneficial interests in Lessee, this Lease or the Major Sublessee under any Major Sublease, and (ii) all shareholders, partners, members and other holders of equity or beneficial interests in any of the constituent shareholders, partners, members or other holders of equity or beneficial interests in Lessee or any Major Sublessee under any Major Sublease, if such interest exceeds a five percent (5%) or greater beneficial interest in Lessee or the Major Sublessee under a Major Sublease. In the event that such shareholder, partner, member or other interest holder is a trust, Lessee shall include in such schedule the name and mailing address of each trustee of said trust, together with the names and mailing addresses of each beneficiary of said trust with greater than a five percent (5%) actuarial interest in distributions from, or the corpus of, said trust; provided, however, that to the extent that Lessee is prevented by Applicable Laws from obtaining such information regarding the beneficiaries of said trust(s), Lessee shall have complied with this provision if Lessee uses its best efforts to obtain such information voluntarily and provides County with the opportunity to review any such information so obtained. Lessee agrees to use its best efforts to provide County with any additional information reasonably requested by County in order to determine the identities of the holders of five percent (5%) or greater beneficial interests in Lessee or a Major Sublease.

Notwithstanding any contrary provision of this Section 4.8.8, during such period as a Prudential Fund holds a beneficial interest in Lessee and the Exemption Requirements are satisfied, Lessee shall not be required to disclose the identity of the individual persons or entities that hold the beneficial interests in the Prudential Fund.

## 5. CONSTRUCTION OF IMPROVEMENTS.

### 5.1 Development Work.

5.1.1 Description of Development Work. It is expressly understood and agreed that following the Effective Date Lessee shall proceed to demolish the parking lot on the Premises and construct one hundred twenty six (126) new luxury apartment units on the Premises, consisting of eighty four (84) one bedroom and forty two (42) two bedroom units. The construction of such new apartments, along with all associated improvements, parking facilities,

hardscape, landscape and other site work approved by County and to be performed in connection with the construction of such new apartments, are herein collectively referred to as the “Development Work.”

The scope, design, density, site coverage, layout and open space, view corridors, building height, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Development Work shall be in accordance with the general development plan attached to this Lease as Exhibit B and shall be subject to County’s approval as set forth in this Article 5 and Section 6.3 of the Option Agreement. The design and quality standards for the Development Work shall be at least commensurate with those of luxury apartment projects recently constructed on the Westside of Los Angeles.

Lessee shall be responsible for the acquisition and compliance with all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals for the Development Work. Lessee shall be solely responsible for all costs and expenses incurred in connection with the design, entitlement and construction of the Development Work.

5.1.2 Minimum Required Cost Amount. Lessee shall be solely responsible for all costs and expenses incurred in connection with the performance of the Development Work (including all design, entitlement and construction activities). Lessee shall expend Qualified Hard Costs equal to not less than \$31,104,300.00 (as adjusted below, the “Minimum Required Cost Amount”) for the Development Work under this Lease. The Minimum Required Cost Amount set forth above shall be increased (but not decreased) by the same percentage increase (if any) in the ENR Index during the period from September, 2015 to the month during which the construction contracts for all of the Development Work have been executed (or if the ENR Index is not published on a monthly basis, then the reporting dates for the ENR Index closest in time to September, 2015 and the month during which the construction contracts for all of the Development Work have been executed).

“Qualified Hard Costs” means the out-of-pocket hard construction costs (including general conditions and contractor profit) paid to third party contractors for the construction of the Development Work. Without limitation of any other requirements for Qualified Hard Costs, Qualified Hard Costs shall not include the following (I) the value or cost of land or water area, or any existing Improvements, (II) any costs incurred in connection with the preparation of the Development Plan or any plans, drawings or specifications for the Development Work, (II) any permit or development fees or finance charges, (III) any costs related to the furnishings in the corporate or other furnished apartments, or (IV) any other soft costs relating to the Development Work. If in-house construction labor is used to perform the Development Work construction, then in addition to out-of-pocket hard costs paid to third parties, Qualified Hard Costs shall also include actual hard costs incurred by Lessee for utilization of in-house construction labor for actual services rendered at market rates for comparable services provided by third-party laborers (but not greater than the hourly rate actually paid by Lessee to such in-house laborers), as such costs are confirmed to and reasonably approved by Director. Qualified Hard Costs shall not include any costs incurred prior to the Effective Date. Director shall have the right to confirm all Qualified Hard Costs.

5.1.3 Schedule for Construction of Development Work. Lessee shall comply with all time deadlines and schedules set forth in this Article 5 relating to the completion of the design and construction of the Development Work. Lessee's failure to do so shall, if not cured within the applicable cure period set forth in subsection 13.1.2, constitute an Event of Default. Except to the extent Lessee is prevented from so doing by the events identified in Sections 5.6 or 5.7, Lessee shall cause the Substantial Commencement of Construction of the Development Work in accordance with the Final Development Work Plans and Specifications (as defined in subsection 5.1.4 below) to occur on or before that date (the "Required Construction Commencement Date") which is either (i) six (6) months following the Effective Date, if the option to amend the Pre-Existing Parcel 10R Lease set forth in the Option to Amend Lease Agreement between County and Lessee for the Parcel 10R Premises (the "Parcel 10R Option") has not been exercised as of the Effective Date, or (ii) twelve (12) months following the Effective Date if the Parcel 10R Option has been exercised as of the Effective Date (such twelve (12) month period to be reduced on a daily basis for each day beyond six (6) months following the Effective Date of the Parcel 10R Restated Lease that the Effective Date of this Lease occurs, but in no event shall such twelve (12) month period be reduced below six (6) months). If the Parcel 10R Option has been exercised, then prior to the Required Construction Commencement Date Lessee shall have the right to use the Premises as a staging area for the construction on the Parcel 10R Premises. Except to the extent Lessee is prevented from so doing by the events identified in Sections 5.6 or 5.7, Lessee shall cause the Substantial Completion of the Development Work to occur on or before that date (the "Required Construction Completion Date") that is no later than the later of (i) twelve (12) months following the Substantial Completion (as defined in the Parcel 10R Restated Lease) of the Parcel 10R Redevelopment Work (as defined in Section 5.1 of the Parcel 10R Restated Lease exclusive of the Public Docks described in the Parcel 10R Restated Lease), but not later than twelve (12) months following the "Required Construction Completion Date" under the Parcel 10R Restated Lease, or (ii) twenty two (22) months following the Effective Date; provided, however, that if Parcel 10R Option has not been exercised as of the Effective Date, then the Required Construction Completion Date shall be twenty two (22) months following the Effective Date.

For the purposes of this Lease, "Substantial Commencement" or "Substantial Commencement of Construction" shall mean the commencement of the demolition work required in connection with the Development Work, as long as following the commencement of demolition Lessee diligently proceeds to complete such demolition work and commences the actual construction of the Improvements immediately following the completion of demolition. For purposes of this Lease, the terms "Substantial Completion" or "Substantially Complete" shall mean the completion of the Development Work in accordance with the Final Development Work Plans and Specifications, subject to minor so-called punch list items that do not interfere with the use and occupancy of the Development Work. Without limitation of any other requirements for Substantial Completion, the Development Work shall not be considered Substantially Completed until Lessee has received a temporary certificate of occupancy or equivalent approval required for the legal occupancy and use of the Development Work. The Required Construction Commencement Date and Required Construction Completion Date will be extended only under the specific circumstances set forth in Sections 5.6 or 5.7, and under no other circumstances.



5.1.4 Final Development Work Plans and Specifications. Pursuant to Sections 6.3.1 and 6.3.2 of the Option Agreement, County has heretofore approved the Schematics and the Preliminary Plans for the Development Work. On or before ninety (90) days prior to the Required Construction Commencement Date, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications for the Development Work on the Premises (the "Final Plans"), together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. The Final Plans shall reflect a natural progression and logical evolution from the Preliminary Plans approved under the Option Agreement. Lessee shall file duplicate copies of the Final Plans required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits for the Development Work on the Premises. Any material difference in the scope, size, configuration, arrangement or motif of the Improvements described in the Final Plans from those described in the Preliminary Plans for the Premises approved under Section 6.3.2 of the Option Agreement shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove the Final Plans, which approval shall not be unreasonably withheld. Director may disapprove the Final Plans only on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved Preliminary Plans (exclusive of any Approved Governmental Changes, as defined in Section 6.3.1 of the Option Agreement). Failure of Director to disapprove said Final Plans within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the Final Plans contain substantial changes from the Preliminary Plans (other than any Approved Governmental Changes), then Director shall have sixty (60) days in which to approve the Final Plans, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the Final Plans, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**"PURSUANT TO SUBSECTION 5.1.4 OF THE LEASE, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN ANY APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM."**

Following any deemed disapproval by Director of such submission, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved Preliminary Plans (exclusive of any Approved Governmental Changes). Upon approval, the Final

Plans shall be referred to herein as the “Final Development Work Plans and Specifications.” No material modifications shall be made to the Improvements described in the approved Final Development Work Plans and Specifications, without the prior written approval of Director, which shall not be unreasonably withheld.

5.2 Wetland Park. Lessee shall construct a wetland park on Parcel 9U (the “Wetland Park”) in accordance with the Wetland Park design approved by County pursuant to the Option Agreement. Lessee and MDR Hotels, LLC, a Delaware limited liability company, the holder of an Option to Lease Agreement dated December \_\_, 2015 with the County concerning Parcel 9U (“the “MDR 9U Optionee”) have entered into that certain agreement for the development of the Wetland Park (the “Wetland Park Agreement”). County has granted to Lessee a Right of Entry Permit on the land on which the Wetland Park is to be constructed for the purpose of the construction thereof. County and Lessee hereby acknowledge that construction on the Wetland Park has heretofore commenced prior to the exercise of the Option and the execution of this Lease and Lessee hereby agrees that it shall proceed with continuous due diligence and complete the work on the Wetland Park in accordance with the Wetland Park design and the Wetlands Park Agreement referred to hereinabove but, in any event, subject to the occurrence of any Unreasonable County Activity, any Force Majeure occurrences of any delay that is not the fault of Lessee in securing required permits or regulatory approvals for any portion of the Wetland Park construction. In addition, to the extent necessary for staging or construction access purposes, County agrees to provide Lessee with access to Parcel 9U on terms and conditions reasonably satisfactory to County and Lessee, provided that such access for staging or construction access purposes does not interfere with the use or development of Parcel 9U.

Construction of the Wetland Park shall constitute a portion of the Development Work and Lessee shall be required to Substantially Complete construction of the Wetland Park by the Required Construction Completion Date. Without limitation of any other provisions of this Article 5 that are applicable to the construction of the Wetland Park as part of the Development Work, the Wetland Park shall be constructed in a good and workmanlike fashion and in compliance with all Applicable Laws, and the terms of Sections 5.4, 5.8, 5.9, 5.11, 5.12, 9.1.5 and 9.3 shall be applicable to the Wetland Park as if the Wetland Park was part of the Premises.

So long as the Wetland Park Agreement is in effect, the rights and remedies between Lessee and the MDR 9U Optionee shall be governed by the terms of the Wetland Park Agreement. If Lessee completes the Wetland Park and is not reimbursed by the MDR 9U Optionee for its portion of the “Wetland Park Agreement Development Costs,” as defined in the Wetland Park Agreement, then if, within 10 years of the Effective Date, either (i) County grants an option to lease all or a portion of Parcel 9U for private development to any third party and such optionee at any time thereafter exercises such option or (ii) County or any other public entity commences to use all or a portion of Parcel 9U for other than a park, parking lot or open space area, then County shall require that such third party, County or other public entity, immediately upon either the exercise of the option by such third party or commencement of use by County or any other public entity (but in no event earlier than sixty (60) days following delivery by Lessee to County of the final Wetland Park Development Costs Report described in the next paragraph that sets the proper amount of Wetland Park Development Costs required to be reimbursed hereunder) reimburse Lessee for one-half of the development costs (the “Wetland

Park Development Costs”) incurred by Lessee for the development of the Wetland Park, adjusted for any increase (but not decrease) in the Consumer Price Index from the month in which the date of completion of the Wetland Park occurs through the month prior to the month in which payment occurs, as a requirement for leasing or utilizing all or a portion of Parcel 9U.

Not later than thirty (30) days following completion of the Wetland Park and delivery of the Wetland Park to County, Lessee shall provide to County a final “Wetland Park Development Costs Report” reasonably satisfactory to County, which shall include, without limitation, detail of all hard and soft costs for the construction of the Wetland Park (collectively, the “Wetland Park Development Costs”) (along with copies of all contracts, invoices, evidences of payment and all other background material reasonably requested by County). The Wetland Park Development Costs shall include only out-of-pocket costs paid by Lessee, or Lessee’s predecessor, to third parties and that are approved in advance by the Director; provided, however, there may be included in the Wetland Park Development Costs a developer fee or a construction management fee not exceed four percent (4%) of hard construction costs and construction period interest on all hard and soft costs incurred by Lessee in the development of the Wetland Park. Except for the foregoing developer or construction management fee, there shall be no other administrative, supervision, development, management or overhead fees or charges. No penalty charges or any charges incurred by Lessee as a result of its mismanagement or negligence in the construction of the Wetland Park shall be included.

Following completion of the Wetland Park, County shall assume full control and responsibility for the operation and maintenance of the Wetland Park and Lessee shall assign all construction warranties to County.

5.3 Plans and Specifics for Alterations. For purposes of this Lease, “Alterations” means any and all alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements on the Premises, other than the Development Work. Lessee shall make no Alterations to the Improvements located on the Premises without the prior written approval by Director of such Alterations (including the Director’s approval of the plans, specifications and other materials pertaining to such Alterations required under this Section 5.3). Prior and as a condition precedent to the construction of any Alterations, Lessee shall submit to Director, for Director’s approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations. All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease. The plan submittal and approval procedures set forth in subsections 5.3.1 through 5.3.3 below shall not be applicable to the Development Work. The Development Work shall be subject to the plan submittal and approval procedures set forth in the Option Agreement and subsection 5.1.4 of this Lease.

5.3.1 Schematics and Narrative. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third parties which are located thereon. Director shall have sixty (60) days within which to approve or disapprove such submission. Failure of Director to approve such submission

in writing within said sixty (60) day period shall be deemed disapproval of said submission. Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. After approval of schematic plans (or subsequent approval of preliminary or final plans) by Director, if changes in such plans are required by conditions of approval of the Alterations imposed by the California Coastal Commission or other governmental agency having jurisdiction thereover, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove those changes which constitute Approved Governmental Changes.

5.3.2 Preliminary Plans and Specifications. After Director's approval of the materials submitted pursuant to subsection 5.3.1, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost estimates for the Alterations. The preliminary plans, outline specifications and construction cost estimate shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved schematics and narrative shall be separately identified and described. Director shall have twenty-one (21) days within which to approve or reasonably disapprove such submission, and Director may disapprove said preliminary plans only on the grounds that (i) they do not reflect a natural evolution from the approved schematic plans or that they materially differ from the approved schematic plans and narrative (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the schematic plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said preliminary plans within twenty one (21) days after Director's receipt thereof shall be deemed Director's approval thereof; provided, however, that in the event that the preliminary plans, outline specifications and construction cost estimates contain substantial changes from the approved schematics and narrative (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the preliminary plans, outline specifications and construction cost estimates, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.3.2 OF THE LEASE, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”**

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission.

5.3.3 Final Plans and Specifications. After approval of the preliminary plans, Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost statement for the Alterations, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost statement required by this Section with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove such submission, and Director may disapprove such submission only on the grounds that (i) they do not reflect a natural evolution from or that they materially differ from the approved preliminary plans, outline specifications and construction cost estimates (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the preliminary plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said materials within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the final plans, detailed construction specifications and construction cost statement contain substantial changes from the preliminary plans, outline specifications and construction cost estimates (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the final plans, detailed construction specifications and construction cost statement, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.3.3 OF THE LEASE, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”**

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be

unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved preliminary plans and specifications (exclusive of any Approved Governmental Changes), or which contains new, different or additional specifications for the Improvements which were not expressly set forth in, and approved by Director as a part of, the preliminary plans and which do not meet the requirements for the Improvements set forth in this Article 5. No material modification shall be made to the Alterations described in the approved final plans, specifications and costs (the “Final Alteration Plans and Specifications”) without the prior written approval of Director, which shall not be unreasonably withheld.

5.4 Conditions Precedent to the Commencement of Construction. No Development Work or Alterations shall be commenced until each and all of the following conditions have been satisfied:

5.4.1 Permits and Other Approvals. Lessee shall have received and furnished the Department with copies of all permits, licenses and other governmental approvals necessary for commencement of the Development Work or Alterations, as the case may be. All permits, licenses and other governmental approvals necessary for subsequent stages of the Development Work or Alterations shall be furnished to the County prior to commencement of such stages.

5.4.2 Copies of Construction Contracts. Lessee shall have furnished County with copies of any contract(s) entered into between Lessee and any general contractor(s) employed for the purpose of constructing the Development Work or Alterations, as the case may be. The general construction contract for the Development Work shall require the payment of prevailing wages with respect to the Development Work.

5.4.3 Performance and Payment Bonds. Lessee shall, at its own cost and expense, have furnished County with the following separate corporate surety bonds not less than ten business (10) days prior to the commencement of construction, which bonds must be in form and content reasonably satisfactory to County:

5.4.3.1 A corporate surety performance bond (“Performance Bond”) issued by a surety company licensed to transact business as such in the State of California, in an amount not less than one hundred percent (100%) of the amount of all hard construction costs approved by County in conjunction with the approved work. The Performance Bond and its issuer shall be in all material respects reasonably satisfactory to County. It shall name Lessee as principal and said issuer as surety, and County as obligee, assuring full and satisfactory performance by Lessee of Lessee’s obligations herein to build, construct and otherwise complete the Improvements described in the approved final plans and specifications.

5.4.3.2 A corporate surety payment bond, issued by a surety company licensed to transact business as such in the State of California, with Lessee as principal, said company as surety and County as obligee, in a sum equal to one hundred percent (100%) of the total construction cost anticipated to be incurred in

connection with the approved work, guaranteeing payment for all materials, provisions, supplies and equipment used in, upon, for or about the performance of said construction work or for labor done thereon of any kind whatsoever and protecting County from any and all liability, loss or damages arising out of or in connection with any failure to make such payment (the "Payment Bond"). The Payment Bond shall be in form and content reasonably satisfactory to County.

In the event that construction is performed by a licensed general contractor on behalf of Lessee, provided that such contractor provides County with a bond or bonds compliant with this subsection, and in all material respects reasonably satisfactory to County and otherwise complying with this subsection, County will accept such contractor's bonds in lieu of the Performance Bond and/or Payment Bond by Lessee required by this subsection 5.4.3. Any bonds provided by Lessee or its general contractor pursuant to this subsection may name the Lessee's lender as an additional obligee.

5.4.4 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may, in its discretion, provide any one or any combination of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to County, made by an individual or entity with a sufficient net worth and liquidity, in the sole discretion of Director, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a Certificate of Deposit, cash or United States governmental security, (iii) an additional Letter of Credit, or (iv) a Set Aside Letter from Lessee's construction lender. The security described in clauses (ii), (iii) and (iv) above shall be in an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the Development Work or Alterations if same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. In addition, Director also shall have the authority to accept in lieu of the Payment and Performance Bonds, so-called "Subguard" insurance in such amount, on such terms and issued by such carrier as approved by Director, in combination with such other security, such as a completion guaranty, as acceptable to Director. Any alternative security provided by Lessee pursuant to this subsection may name County and Lessee's construction lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this subsection 5.4.4 shall be delivery by Lessee to County of an opinion of counsel from a firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in subsection 5.4.3 above. Director shall have the authority, in his reasonable discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.4.5 Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by Director, to complete the Development Work or Alterations, as applicable. Lessee shall furnish Director with copies of all final notes, guarantees, partnership, shareholder or limited liability company agreements, construction loan and/or permanent loan commitments, documents evidencing equity contributions, documents creating and/or

perfecting security interests, and all documents and exhibits referred to in any of the foregoing, together with any and all recorded documents affecting an interest in the Premises, within seven (7) days after such document or instrument becomes effective.

5.4.6 Work Schedule. With respect to the Development Work, Lessee shall have provided County with a construction schedule which will result in the completion of the Development Work on or before the Required Construction Completion Date, as such dates may be extended as provided in this Article 5.

5.5 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Development Work described in Section 5.1 above and the Subsequent Renovations described in Section 5.13 below, as applicable. Such cooperative efforts may include the Department's joinder in any application for such approval, consent, permit or variance, where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Section 25536 or 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that the Department's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Lease.

5.6 Delays in Completion of Development Work. Once construction of the Development Work has been Substantially Commenced, Lessee shall thereafter diligently pursue the completion of such construction by the Required Construction Completion Date. During this period, delays due to fire, earthquake, flood, tornado or other act of God, civil disturbance, war, organized labor dispute, freight embargo or other unforeseeable event reasonably beyond the control of Lessee, or a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity ("Force Majeure") shall extend the Required Construction Completion Date by the length of time of such delay, although Lessee shall to the extent possible commence and complete the portions, if any, of the Improvements not impacted by such delay within the timeframe set forth in this Lease. For purposes of this Section 5.6, "Force Majeure" shall also include delays in the completion of construction caused (i) by a third party restraining order or injunction (filed by a plaintiff other than County or the California Coastal Commission) obtained after the commencement of construction, subject to Lessee's obligation to diligently pursue the removal or appeal of any such restraining order or injunction, or (ii) by Unreasonable County Activity after the commencement of construction, subject to the procedures set forth in subsection 5.7.2 below for establishing Unreasonable County Activity. Lessee and Director shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this Section



5.6. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this Section 5.6, the matter shall be arbitrated as set forth in Article 16.

5.7 Extension of Dates. Other than as set forth in Section 5.6 above, the Required Construction Commencement Date and Required Construction Completion Date shall be extended only for the reasons set forth in this Section.

5.7.1 Injunction by Third Party, Nonregulatory Body. The Required Construction Commencement Date shall be extended if the commencement of construction of the Development Work has been enjoined or restrained by a court action commenced by a plaintiff other than County or the California Coastal Commission acting in their governmental capacity. In such case, the Required Construction Commencement Date shall be extended until forty-five (45) days after the restraining order and/or injunction is removed; provided that in no event shall the Required Construction Commencement Date be extended beyond the second (2nd) anniversary of the Effective Date. Whether or not a named party in such action, Lessee shall diligently pursue the removal of any restraining order or injunction so issued and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.1, then each of the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date.

5.7.2 Delay Caused by Unreasonable County Acts. The Required Construction Commencement Date shall be extended if Lessee has been delayed in the obtaining of any permits or other approvals necessary for the commencement of construction due to Unreasonable County Activity. For the purposes of this Lease, the following shall be deemed to be "Unreasonable County Activity": (i) County's failure to provide required joinder, if any, in Lessee's proposals for the Improvements described in the Final Development Work Plans and Specifications before any governmental agency; or (ii) County's failure to take such other actions in its proprietary capacity reasonably requested by Lessee, at no cost or expense to County, which are necessary for Lessee to proceed with the permit/approval process or County's having taken such actions without Lessee's consent which adversely affected Lessee's rights and obligations hereunder, which were unreasonable and which actually delayed the Substantial Commencement of Construction and which action or inaction occurred after the date hereof; or (iii) County's failure to comply with the time periods imposed upon County under this Article 5, except in the case where a failure of County to notify Lessee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in this Section or this Lease shall be construed as obliging County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit/approval process. An extension shall be available under this subsection only if all of the following procedures have been followed:

(a) Within a reasonable time under the circumstances, Lessee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Lessee fails to notify Director in writing as specified in the immediately preceding sentence within five (5) days following Lessee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this subsection 5.7.2, in no event shall Lessee be entitled to an extension for any period of the delay occurring prior to the date of Lessee's notice described in this paragraph (a).

(b) Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, Director shall meet with Lessee or its authorized representative in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the appropriate length of time of any extension pursuant to this subsection. If Director determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the extension time shall equal the amount of actual delay directly caused by the Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by Lessee), then Lessee and Director shall establish the length of time of any extension based on the actual delay of the permit/approval process likely to be caused by the Unreasonable County Activity.

(c) If, within fourteen (14) days following receipt of notice alleging Unreasonable County Activity, Director and Lessee have not agreed in writing as to whether or not an extension is appropriate, or if appropriate, the length of any such extension, then the matter shall be referred to binding arbitration in accordance with Article 16 of this Lease. The arbitrator shall be instructed that, if Unreasonable County Activity has occurred, then the standards set forth in subsection (b) above will be applied to determine the length of any extension.

The period of any extension pursuant to this subsection shall be equal to the period of the delay caused by the Unreasonable County Activity. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.2, then the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date.

**5.7.3 Delay in Obtaining Permits or Approvals.** Except as otherwise provided in subsection 5.7.4, if as of the Required Construction Commencement Date (as it may be extended as provided above), Lessee has not obtained a permit or other approval necessary to the commencement of construction from a regulatory body or agency other than County, or such regulatory body has obtained an injunction preventing the commencement of construction, and such permits, approvals or the removal of such injunction constitute(s) the major remaining impediment to the commencement of construction, then the Required Construction Commencement Date shall be extended to forty-five (45) days after the date upon which such permit is issued or injunction dissolved, provided that (1) Lessee has exhausted and continues to exhaust all commercially reasonable efforts to obtain such approval or permit or dissolution of such

injunction, and (2) such extended Required Construction Commencement Date shall not be later than the second (2nd) anniversary of the Effective Date. If the Required Construction Commencement Date is so extended, then the Required Construction Completion Date shall be extended by the same period of the extension of the Required Construction Commencement Date. The extension provided by this subsection shall be the only extension available in a situation where such permits and/or approvals have not been issued or such regulatory body or agency has obtained such an injunction.

5.7.4 Limitation of Extensions. Notwithstanding the foregoing, Lessee shall not be entitled to any extension unless Lessee had actually been pursuing the process of obtaining all permits, approvals, financing and other items necessary for the Substantial Commencement of Construction with due diligence, and unless all Improvements specified and plans and specifications submitted by Lessee in connection with any such permit, approval, financing or other item substantially conformed to (i) the Final Development Work Plans and Specifications, and (ii) the land use laws and regulations and the Local Coastal Plan (except for any required density transfer between Development Zones) existing as of the date of execution of this Lease by Lessee.

5.7.5 Obligation to Pay Rent. Notwithstanding anything to the contrary contained in this Lease, no extension, relaxation or modification of the requirement to Substantially Commence construction of the Development Work by the Required Construction Commencement Date and complete such Improvements by the applicable Required Construction Completion Date, shall relieve Lessee of its obligation to pay County the Annual Minimum Rent, Percentage Rent and other amounts set forth in Article 4 of this Lease.

## 5.8 Manner of Construction.

5.8.1 General Construction Standards. All construction, alteration, modification or repairs permitted herein shall be accomplished by Lessee with due diligence. Lessee shall take all reasonable steps to minimize any damage, disruption or inconvenience caused by such work and make adequate provisions for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal to or better than the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County. Dust, noise and other effects of such work shall be controlled using accepted measures customarily utilized in order to control such deleterious effects associated with construction projects in well populated and developed areas of southern California.

5.8.2 Utility Work. Any work performed by or on behalf of Lessee or any occupant of the Premises to connect to, repair, relocate, maintain or install any storm drain, sanitary sewer, water line, gas line, telephone conduit, or any other utility service

shall be performed in a manner that minimizes interference with the provision of such services to the Premises and other persons.

5.8.3 Construction Safeguards. Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by or on behalf of Lessee, all necessary safeguards for the protection of workers and the public.

5.8.4 Compliance with Construction Documents and Laws; Issuance of Permits. All Development Work or Alterations on the Premises shall be completed in substantial compliance with any construction documents approved by County and also in compliance with all applicable local, state and federal laws and regulations. Lessee shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits directly to the person or governmental agency having jurisdiction thereover.

5.8.5 Notice to Director; Damage to County Improvements. Lessee further agrees to keep Director apprised of the progress of the work to the end that Director may, upon at least one (1) Business Day advance notice, timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises, including but not limited to seawalls, underground conduits and utility lines. If any such County-owned improvement is damaged as a result of construction activity by Lessee or its contractors, Lessee agrees to repair such damage immediately at no cost or expense to County. Lessee shall add the work necessary to repair such damage to the construction schedule for the Development Work (or other Alteration work, as applicable), and shall complete such repair work in accordance with such schedule; provided that if such damage to County-owned improvements creates a threat to public health and safety or materially adversely affects the condition, appearance or operation of any County-owned improvement or of any other property, then Lessee shall promptly commence the completion of such repair work and complete such repair work as soon as reasonably possible thereafter. In the event that Lessee fails to effectuate such repair in accordance with the foregoing requirements, County may upon written notice to Lessee enter upon the Premises to make such repairs, the Actual Cost of which shall be paid by Lessee within five (5) business days after demand by County. This subsection 5.8.5 shall not be deemed to impose upon Lessee any obligation to repair damage to County-owned improvements existing on or around the Premises if such damage was not incurred as a result of Lessee's construction activities.

5.8.6 Rights of Access. Representatives of the Department of Beaches and Harbors of the County shall, upon reasonable notice and at reasonable times during normal business hours, have the right of reasonable access to the Premises and the Improvements thereon without charges or fees, but at no cost or expense to Lessee, for the purpose of ascertaining compliance with the terms and conditions of this Lease, including but not limited to the inspection of the construction work being performed. Such access shall be reasonably calculated to minimize interference with Lessee's construction and/or operations, and County shall comply with industry safety standards in connection with any such access. Lessee shall have the right to have a representative present to accompany the representatives of the Department of Beaches and Harbors of

the County in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

5.8.7 Notice of Completion. Upon completion of the Development Work or any Alterations (including the Subsequent Renovation described in Section 5.13), Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the "Notice of Completion") with respect to the Improvements and Lessee shall deliver to County, at no cost to County, two (2) sets of reproducible final as-built plans and specifications of the relevant Improvements.

5.8.8 Final Completion Certificate. Promptly after completion of the Development Work or the Subsequent Renovations described in Section 5.13, upon Lessee's request, County shall execute and deliver to Lessee a final completion certificate (the "Final Completion Certificate") as to the work which is the subject thereof, which shall conclusively evidence the completion of such work by Lessee in accordance with the terms of this Lease.

5.9 Use of Plans. Contracts between Lessee and any architect, design professional or licensed contractor in connection with Development Work or Alterations shall provide, in form and content reasonably satisfactory to County, for the assignment thereof to County (and Lessee's Encumbrance Holder(s) if required by Lessee's Encumbrance Holder(s)) as security to County for Lessee's performance hereunder, and County shall be furnished with a copy of any such contract, together with the further agreement of the parties thereto, that if this Lease is terminated by County due to Lessee's default, County (or if County enters into a new lease with Lessee's Encumbrance Holder pursuant to Article 12, then Lessee's Encumbrance Holder) may, at its election, use any plans and specifications created by such architect, design professional or contractor in connection with the contract, upon the payment of any sums due to any party thereto. County's right to elect to use plans and specifications as described above shall not include the unauthorized right to use any trade marks, trade names or logos of Lessee or any such architect, design professional or contractor. The assignment to County and Lessee's Encumbrance Holder(s) described in this Section 5.9 shall be effective until the Final Completion Certificate for the subject work is issued, and shall be subordinate to the security interest, if any, of Lessee's construction lender in the assigned contract, which subordination shall be in a form reasonably acceptable to Lessee's construction lender.

5.10 Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.3) for Alterations where all of the following conditions are satisfied: (i) the total cost of the project is less than One Hundred Thousand Dollars (\$100,000), adjusted annually to reflect the increase or decrease in the ENR Index from and after the Effective Date (provided, however, that in no event shall such adjustment result in a reduction of the threshold for Director approval to less than One Hundred Thousand Dollars (\$100,000)); (ii) none of the proposed construction activity is structural in nature; and, (iii) none of the proposed construction, additions, modifications or changes affect or are visible from the exterior of the Premises; provided,

however, that whenever Lessee makes or constructs or permits any improvements in or to the Premises, Lessee shall (a) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (b) furnish a copy of “as-built” plans upon completion of such work to County.

5.11 County’s Inducement. Lessee acknowledges that the principal inducement to County to enter into this Lease is the timely improvement of the Premises by Lessee with the Development Work described in Section 5.1 above. Accordingly, Lessee expressly acknowledges that any failure by Lessee to perform its obligations under such Section 5.1 in all material respects by the dates set forth herein (as such dates may be extended pursuant to Section 5.6 or 5.7) shall constitute a material breach of and default under the Lease by Lessee which entitles County to exercise any and all rights and remedies which County may have as a result thereof, under this Lease, at law and/or in equity.

5.12 Protection of County. Nothing in this Lease shall be construed as constituting the consent of County, express or implied, to the performance of any labor or the furnishing of any materials or any specific Improvements, alterations or repairs to the Premises of any part thereof by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services, or the furnishing of any materials, in any such manner as would give rise to the filing of mechanics’ liens or other claims against the County’s interest in the Premises or County.

5.12.1 Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of County’s interest in the Premises from mechanics’ liens or other claims. Lessee shall give County at least ten (10) business days prior written notice of the commencement of any work to be done on the Premises under this Article 5, in order to enable County timely to post such notices.

5.12.2 Prompt Payment. Lessee shall make, or cause to be made, prompt payment of all monies due and owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Development Work or any Alterations or other Improvements on the Premises. Lessee shall have the right to contest any such amount; provided, however, the entire expense of any such contest (including interest and penalties which may accrue) shall be the responsibility of Lessee.

5.12.3 Liens; Indemnity. Subject to Lessee’s rights to contest the same prior to payment, Lessee shall keep the Premises and any Improvements thereon free and clear of all mechanics’ liens and other liens arising out of or in connection with work done for Lessee and/or any parties claiming through Lessee. Lessee agrees to and shall indemnify, defend and hold County harmless from and against any claim, liability, loss, damages, costs, expenses, attorneys’ fees incurred in defending and all other expenses on account of claims of lien(s) of laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it.

In the event any lien is recorded, Lessee shall, within five (5) business days after demand, furnish any one of the following, as determined by Lessee: (i) the bond described in California Civil Code Section 3143, or successor statute, which results in the removal of such lien from the Premises, (ii) a Set Aside Letter from Lessee's construction lender, in form and substance reasonably satisfactory to County, setting aside sufficient funds from Lessee's construction loan for the satisfaction of such lien, or (iii) a title insurance policy or endorsement insuring County against any loss or liability arising out of such lien, together with any other evidence requested by County to evidence that such claim will be paid, removed or discharged as a claim against the Premises and/or County.

5.13 Renovation Fund/Subsequent Renovations. During the period from the eleventh (11th) Lease Year following the Effective Date through the thirty-seventh (37th) Lease Year following the Effective Date, Lessee shall establish and maintain a reserve fund (the "Renovation Fund") in accordance with the provisions of this Section 5.13 for the cost of capital renovations to the Improvements as described in this Section 5.13. Lessee and County agree and acknowledge that the purpose of the Renovation Fund shall be to provide funds for a renovation of the common areas and exterior of the Improvements on two separate occasions, once during the period from the sixteenth (16th) through nineteenth (19th) Lease Years following the Effective Date and again during the period from the thirty-sixth (36th) through thirty-ninth (39<sup>th</sup>) Lease Years following the Effective Date (each, a "Subsequent Renovation"). Each of the Subsequent Renovations shall proceed in accordance with (i) a schedule that provides for the completion of the Subsequent Renovation prior to the completion of the nineteenth (19th) or thirty-ninth (39<sup>th</sup>) Lease Year following the Effective Date, as applicable, and (ii) a renovation plan approved by the Director that provides for the revitalization and upgrade of the common areas and exterior of the Improvements to a condition and appearance at least equal to that of other first class residential apartment projects then recently constructed or being constructed in Marina del Rey.

Prior to the commencement of the construction work for a Subsequent Renovation, Lessee shall submit to Director a renovation plan for such Subsequent Renovation, which renovation plan ("Subsequent Renovation Plan") shall (a) describe the proposed renovation work in detail reasonably acceptable to Director, (b) include a design, governmental approvals and construction schedule for the work, (c) include a budget for all work costs, and (d) address such other matters as Director reasonably requests. The Subsequent Renovation Plan shall be submitted by Lessee to County not later than such date (taking into consideration the approval periods described in this Section 5.13 and Section 5.3 above, the estimated time required to obtain all necessary governmental approval and permits, and the estimated time required to complete the work) as will permit the completion of the work by the required completion date under this Section 5.13. Director shall have sixty (60) days within which to reasonably approve or disapprove the Subsequent Renovation Plan, or to approve the Subsequent Renovation Plan subject to conditions imposed by Director in its reasonable judgment. Failure of Director to notify Lessee in writing of its approval or disapproval of the Subsequent Renovation Plan shall be deemed Director's disapproval of the Subsequent Renovation Plan. Upon Director's approval of the Subsequent Renovation Plan, Lessee shall proceed to satisfy all conditions in this Article 5 to the commencement of the Subsequent Renovation and to commence and complete the Subsequent Renovation in accordance with the Subsequent Renovation Plan and the terms and conditions of this Article 5. Director's approval of the actual plans and specifications for the

Subsequent Renovations shall proceed in accordance with the protocol for plan submission and approval set forth in Section 5.3 of this Lease, except that the schematic plan submittal requirements set forth in subsection 5.3.1 shall not be applicable to the extent that the Subsequent Renovation Plan approved by Director satisfies the requirements of such subsection 5.3.1. Lessee's failure to comply with the schedule approved by Director as part of a Subsequent Renovation Plan and/or to meet the completion deadline pertaining to the Subsequent Renovation set forth in this Section 5.13 shall, if not cured within the cure period set forth in subsection 13.1.2, constitute an Event of Default. Any dispute as to whether Director has failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan shall be submitted to arbitration pursuant to Article 16 of this Lease. If the arbitrator determines that Director failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan and as a result thereof Lessee is delayed in the completion of the Subsequent Renovation by the required completion date set forth in the first paragraph of this Section 5.13, then the required date for the completion of such Subsequent Renovation shall be extended by the duration of the delay caused by Director's failure to reasonably approve the Subsequent Renovation Plan, provided that the required date for the completion of the Subsequent Renovation shall not be extended beyond the date reasonably required Lessee for the completion by Lessee of the Subsequent Renovation.

The Renovation Fund shall be an account established with a reputable financial institution (including Lessee's Encumbrance Holder) acceptable to Director into which deposits shall be made by Lessee (and/or into which Lessee's Encumbrance Holder shall provide funds) pursuant to this Section 5.13. The amounts to be added to the Renovation Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to the requirements and shall be made available for the purposes of this Section 5.13. On or before the fifteenth (15th) day of each calendar month commencing with the month of February during the eleventh (11th) Lease Year following the Effective Date and continuing through the month of January of the thirty-eighth (38<sup>th</sup>) Lease Year following the Effective Date, Lessee shall make a deposit to the Renovation Fund on a monthly basis in the amount of one percent (1%) of Gross Receipts received during the preceding month. All interest and earnings on the Renovation Fund shall be added to the Renovation Fund, but shall not be treated as a credit against, or otherwise reduce, the deposits required to be made by Lessee to the Renovation Fund. Disbursements shall be made from the Renovation Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.13. Prior to the disbursement of any amounts from the Renovation Fund, Lessee shall furnish to Director applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Renovation Fund. Director shall have no obligation to approve the disbursement of amounts from the Renovation Fund unless and until Director has approved Lessee's Subsequent Renovation Plan for such Subsequent Renovation and Lessee has furnished to Director evidence reasonably satisfactory to Director that Lessee has sufficient financial resources to pay for all costs of such Subsequent Renovation. All remaining amounts in the Renovation Fund shall be used for the costs of the Subsequent Renovation Plan to be implemented by Lessee by the end of the thirty-ninth (39<sup>th</sup>) Lease Year following the Effective Date, and Lessee shall not be required to make further contributions to the Renovation Fund after the month of January of the thirty-eighth (38<sup>th</sup>) Lease Year following the Effective Date.



In lieu of the periodic Renovation Fund contributions described in this Section 5.13, Lessee agrees that Director shall have the authority, in the exercise of the Director's discretion, to consider the delivery by Lessee of substitute security acceptable to Director (e.g., a letter of credit or bonding mechanism) to secure the performance by Lessee of the Subsequent Renovations described above in this Section 5.13. Such substitute security shall be in not less than the same amounts and delivered not later than the same times, as amounts that would have otherwise been required to be delivered into the Renovation Fund.

**5.14 Capital Reserve Fund.** In addition to the Renovation Fund described in Section 5.13 above, during the period commencing with the eleventh (11th) Lease Year after the Effective Date and continuing through the end of the Term, Lessee shall establish and maintain a reserve fund (the "Capital Reserve Fund") in accordance with the provisions of this Section 5.14 for the cost of Permitted Capital Expenditures (as defined below) for the Premises. Lessee and County agree and acknowledge that the purpose of the Capital Reserve Fund shall be to provide funds for the costs of additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work ("Permitted Capital Expenditures"). Notwithstanding any contrary provision hereof, the Capital Reserve Fund shall not be used to fund any portion of the cost of the Subsequent Renovations described in Section 5.13 above. In addition, Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the Improvements in a good, operating condition, all of which costs shall be separately funded by Lessee. By way of example, set forth on Exhibit E attached to this Lease are categories of Permitted Capital Expenditures that qualify as proper costs to be funded from the Capital Reserve Fund. All purposes and costs for which Lessee desires to utilize amounts from the Capital Reserve Fund shall be subject to Director's approval, which approval shall not be unreasonably withheld.

The Capital Reserve Fund shall be an account established with a reputable financial institution (including Lessee's Encumbrance Holder) acceptable to Director into which deposits shall be made by Lessee (and/or into which Lessee's Encumbrance Holder shall provide funds) pursuant to this Section 5.14. The amounts to be added to the Capital Reserve Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to the requirements and shall be made available for the purposes of this Section 5.14.

On or before the fifteenth (15th) day of each calendar month during the Term commencing with the month of February in the eleventh (11th) Lease Year following the Effective Date and continuing during the remainder of the Term, Lessee shall make a deposit to the Capital Reserve Fund on a monthly basis in the amount of one percent (1%) of Gross Receipts received during the preceding month. All interest and earnings on the Capital Reserve Fund shall be added to the Capital Reserve Fund, but shall not be treated as a credit against the Capital Reserve Fund deposits required to be made by Lessee pursuant to this Section 5.14. Disbursements shall be made from the Capital Reserve Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.14. For the purpose of

obtaining Director's prior approval of any Capital Reserve Fund disbursements, Lessee shall submit to Director on an annual basis on or before the commencement of the eleventh (11th) Lease Year after the Effective Date and each anniversary thereafter a capital expenditure plan for the upcoming year which details the amount and purpose of anticipated Capital Reserve Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld. Any anticipated expenditure set forth in such capital expenditure plan which is approved by Director as an acceptable Capital Reserve Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual capital expenditure plan) for the duration of the upcoming year. Lessee shall have the right during the course of each year to submit to Director for Director's approval revisions to the then current capital expenditure plan in effect for such year or individual expenditures not noted on the previously submitted capital expenditure plan. Prior to the disbursement of any amounts from the Capital Reserve Fund, Lessee shall furnish to Director applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Capital Reserve Fund. As long as Lessee is not then in default under the Lease, including without limitation, its obligations under this Section 5.14, if, and at such time during the last ten (10) years of the Term as, County notifies Lessee that County shall require the removal of Improvements at the end of the Term pursuant to subsection 2.5.2, Lessee shall have the right to use all remaining amounts in the Capital Reserve Fund for Improvement removal fund purposes under such subsection 2.5.2.

## 6. CONDEMNATION.

### 6.1 Definitions.

6.1.1 Condemnation. "Condemnation" means (1) the exercise by any governmental entity of the power of eminent domain, whether by legal proceedings or otherwise, and (2) a voluntary sale or transfer to any Condemnor (as hereafter defined), either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.2 Date of Taking. "Date of Taking" means the date the Condemnor has the right to possession of the Premises being condemned.

6.1.3 Award. "Award" means all compensation, sums or anything of value awarded, paid or received from a total or partial Condemnation.

6.1.4 Condemnor. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of eminent domain.

6.2 Parties' Rights and Obligations to be Governed by Lease. If, during the Term of this Lease, there is any taking of all or any part of the Premises, any Improvements on the Premises or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 6.

6.3 Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking.

6.4 Effect of Partial Taking. If a portion of the Premises or the Improvements thereon are taken by Condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee's continued use for the purposes contemplated by this Lease. The remaining portion of the Premises shall be deemed unsuitable for Lessee's continued use if, following a reasonable amount of reconstruction (to the extent that funds therefor are available from the anticipated Award), Lessee's business on the Premises could not be operated at an economically feasible level. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the nature and extent of the taking and the probable amount of compensation have been determined. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease's continuing in full force and effect, except that Annual Minimum Rent shall be abated pursuant to Section 6.5, below.

In the event that Lessee does not elect to terminate this Lease as provided above, then Lessee, whether or not the Awards or payments, if any, on account of such taking shall be sufficient for the purpose, shall, at its sole cost and expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its value, condition and character immediately prior to such taking, taking into account, however, any necessary reduction in size or other change resulting from the taking; provided, however, that in case of a taking for temporary use, Lessee shall not be required to effect restoration until such taking is terminated.

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a "Partial Taking"), the Annual Minimum Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Minimum Rent multiplied by the ratio of the fair market value of the portion of the Premises not so taken to the fair market value of the entire Premises immediately prior to the Partial Taking, but without regard to any diminution in value resulting from the imminent taking. Upon the next Annual Minimum Rent Adjustment Date, as described in subsection 4.2.4 above, if any, for the purposes of adjusting the Annual Minimum Rent, the Annual Minimum Rent paid by Lessee to County prior to the date of the Partial Taking shall be adjusted, for the purposes of this calculation only, to the proportion that the fair market value of the portion of the Premises which remains after the taking bears to the fair market value of the entire Premises immediately prior to the taking. If the parties cannot agree upon the appropriate Annual Minimum Rent, the matter shall be settled through arbitration in the manner set forth in Article 16 hereof. Any determinations of fair market value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the "income approach" or "income capitalization approach" to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the "Income Approach"). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent and Supplemental Percentage Rent, shall remain in full force and effect.

6.6 Waiver of Code of Civil Procedure Section 1265.130. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking of the Premises.

6.7 Payment of Award. Awards and other payments on account of a taking, less costs, fees and expenses incurred in the collection thereof (“Net Awards and Payments”), shall be applied as follows:

6.7.1 Partial Taking Without Termination. Net Awards and Payments received on account of a Taking other than a total Taking or a Partial Taking which results in termination hereof or a taking for temporary use shall be held by County and shall be paid out to Lessee or Lessee’s designee(s), in progress payments, to pay the cost of restoration of the Premises. The balance, if any, shall be divided between County and Lessee pro rata, as nearly as practicable, based upon (1) the then value of County’s interest in the Premises (including its interest hereunder) and (2) the then value of Lessee’s interest in the remainder of the Term of this Lease including bonus value (for such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4). Any determinations of fair market value made pursuant to this Section 6.5 shall be predicated upon the Income Approach. Notwithstanding the foregoing, if County is the condemning authority and the taking pertains only to Lessee’s interest, then Lessee shall be entitled to the entire amount of the Net Awards and Payments.

In case of a taking other than a total taking or a taking for temporary use, Lessee shall furnish to County evidence satisfactory to County of the total cost of the restoration required by Section 6.4.

6.7.2 Taking For Temporary Use. Net Awards and Payments received on account of a taking for temporary use shall be paid to Lessee; provided, however, that if any portion of any such award or payment is paid by the Condemnor by reason of any damage to or destruction of the Improvements, such portion shall be held and applied as provided in the first sentence of Section 6.7.1, above.

6.7.3 Total Taking and Partial Taking with Termination. Net Awards and Payments received on account of a total taking or a Partial Taking which results in the termination of this Lease shall be allocated in the following order:

First: There shall be paid to County an amount equal to the greater of (a) the sum of (1) the present value of all Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other sums which would become due through the expiration of the Term if it were not for the taking less, in the event of a Partial Taking, an amount equal to the present value of the fair rental value of the portion of the Premises (with the Improvements thereon) not subject to the Partial Taking, from the date of the Partial Taking through the expiration of the Term and (2) the present value of the portion of the Premises (with the Improvements thereon) subject to the taking from and after the expiration of the Term or (b) in the event of a Partial Taking, the present value of the fair market rental value of the portion of the Premises (with the Improvements thereon) subject to the Partial Taking, from and after the expiration of the Term.

Second: There shall be paid to any Encumbrance Holder an amount equal to the sum of any unpaid principal amount of any Encumbrance secured by the Premises

plus costs, expenses, and other sums due pursuant the loan documents, if any, and any interest accrued thereon, all as of the date on which such payment is made; and then

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

If County is the condemning authority in connection with a total taking or a partial taking that results in the termination of the Lease, and the taking pertains to only Lessee's interest, then Lessee shall be entitled to the entire amount of any Net Awards and Payments.

6.7.4 Disputes. Any dispute under Article 6 concerning the fair market value of the Premises or any portion thereof, computation of present value or the determination of the amount of Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent or other sums which would have become due over the Term of this Lease which are not resolved by the parties, shall be submitted to arbitration pursuant to Article 16 of this Lease. Such valuations, computations and determinations of value shall be made utilizing the Income Approach.

## 7. SECURITY DEPOSIT.

7.1 Amount and Use. On or prior to the Effective Date, Lessee shall deliver to County a security deposit (the "Security Deposit") in the amount of one-fourth (1/4) of the Annual Minimum Rent. Effective as of the fifth (5th) anniversary of the Effective Date and each and every subsequent fifth (5th) anniversary thereafter during the remainder of the Term, the Security Deposit maintained by Lessee with County shall be adjusted to a sum equal to one-fourth (1/4) of the total Annual Rent which was payable by Lessee for the immediately preceding calendar year; provided, however, in no event shall the Security Deposit ever be reduced below the amount of the Security Deposit required to be in effect prior to such adjustment. The Security Deposit shall secure Lessee's obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover (a) delinquent rent not paid by Lessee within any applicable notice and cure period, and (b) any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. Lessee shall have the right to maintain the Security Deposit in form of cash or in lieu or replacement of the cash Security Deposit requirement described above, in the form of a certificate of deposit, letter of credit or other approved investment instrument acceptable to County with respect to form, content and issuer. As long as no Event of Default by Lessee exists under the Lease, Lessee shall be entitled to any interest or other earnings which are actually earned on any unapplied portions of the Security Deposit delivered to County in the form of a certificate of deposit or other approved investment instrument (as opposed to cash, on which Lessee shall not be entitled to interest). Provided that no Event of Default then exists under the Lease, at the end of each

Lease Year Lessee shall be entitled to a credit for all unexpended interest accruing to Lessee's benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

7.2 Replacement. In the event that some or all of the Security Deposit is drawn against by County and applied against any delinquent rent not paid by Lessee within any applicable notice or cure period, or against other Events of Default of Lessee hereunder, Lessee shall, within ten (10) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, or cause the issuer of the Letter of Credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said ten (10) day period), the full amount of the Security Deposit shall be available to County. Failure to maintain and replenish the Security Deposit, if not cured within the time period set forth in subsection 13.1.3, shall constitute an Event of Default hereunder.

7.3 Renewal. Any letter of credit procured by Lessee and delivered to County shall provide for notice to County by the issuer thereof no less than sixty (60) days prior to the expiration of the term of such letter of credit in the event that the issuer thereof is not irrevocably committed to renew the term of such letter of credit. In the event that, thirty (30) days prior to the expiration of such letter of credit, Lessee has not provided County with satisfactory evidence of its renewal or replacement, or has not provided County with adequate replacement security, County may draw down upon the letter of credit and hold the funds as security for Lessee's obligations as set forth in this Lease and may apply the funds to cover delinquent rent not paid by Lessee within any applicable notice and cure period and/or any other Event of Default of Lessee under this Lease.

## 8. INDEMNITY.

Except to the extent caused by the gross negligence or willful misconduct of any such indemnitee, Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its respective Boards, officers, agents, consultants, counsel, employees and volunteers from any and all claims, costs, losses, expenses or liability, including expenses and reasonable attorneys' fees incurred in defending against the same by an attorney selected by Lessee and reasonably satisfactory to County, to the extent arising from or caused by (a) the operation, maintenance, use, or occupation of the Premises (other than the Promenade and the Seawall) or the Improvements by Lessee or its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, including any occurrence in or on the Premises or Improvements, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, (c) the failure of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees to observe and abide by any of the terms or conditions of this Lease or any applicable law, ordinance, rule, or regulation, or (d) the performance of the Development Work or any Alterations. The obligation of Lessee to so relieve, indemnify, protect, and save harmless County and each of its respective Boards, officers, agents, consultants, counsel, employees and volunteers, shall continue during any periods of occupancy or of holding over by Lessee, its agents, officers, employees, licensees,

concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease. Notwithstanding anything in this Lease to the contrary, Lessee and County acknowledge that their respective liability, if any, arising out of the operation, maintenance, use and/or occupation of the Promenade shall be governed by Applicable Law.

## 9. INSURANCE.

9.1 Lessee's Insurance. Without limiting Lessee's indemnification of County, during the Term of this Lease Lessee shall provide and maintain the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a "general policyholders rating" of at least A-VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency.

9.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	\$20,000,000
Products/Completed Operations Aggregate:	\$20,000,000
Personal and Advertising Injury:	\$10,000,000
Each Occurrence:	\$10,000,000

Lessee may satisfy the above coverage limits with a combination of primary coverage ("Primary Coverage") and excess liability coverage ("Umbrella Coverage") (as long as (a) Lessee's Primary Coverage is at least One Million Dollars (\$1,000,000) per occurrence, One Million Dollars (\$1,000,000) annual aggregate, and (b) the combination of such Primary Coverage and Umbrella Coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverages required under this Section 9.1.1.

9.1.2 Automobile Liability insurance (written on ISO form CA 00 01 or its equivalent) with a limit of liability of not less than One Million Dollars (\$1,000,000) of Primary Coverage and One Million Dollars (\$1,000,000) of Umbrella Coverage, for each accident and providing coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto." During any period of operation of valet parking facilities, Lessee also shall provide Garagekeeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Three Million Dollars (\$3,000,000) for this location.

9.1.3 Workers Compensation and Employers' Liability insurance providing workers compensation benefits, as required by the Labor Code of the State of California and for which Lessee is responsible, and including Employers' Liability coverage with limits of not less than the following:

Each Accident:	\$1,000,000
Disease - policy limit:	\$1,000,000
Disease - each employee:	\$1,000,000

9.1.4 Commercial Property insurance covering damage to the Premises, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake, and including Ordinance or Law Coverage, written for the full replacement value of the Improvements, with a deductible no greater than \$250,000 or 5% of the property value, which ever is less, and also including business interruption, including loss of rent equal to eighteen (18) months of rent, with proceeds payable to Lessee and County as their interests may appear and utilized for repair and restoration of the Premises and Improvements. Notwithstanding the foregoing, during any period during which no Improvements exist on the Premises or all of the existing Improvements are being demolished in connection with the construction of Development Work, the obligation to provide insurance under this subsection 9.1.4 shall not be applicable so long as the insurance coverage described in subsection 9.1.5 below is carried.

9.1.5 For construction projects, including the Development Work, or any Alterations or restoration on the Premises, Lessee or Lessee's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis.):

9.1.5.1 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30). This insurance shall be endorsed to include ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, including County furnished materials and equipment, against loss or damage until completion and acceptance by Lessee.

9.1.5.2 General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Development Work or Alterations. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Development Work, three (3) years after the date the Development Work is completed and accepted by the Lessee, or (b) in the case of Alterations after the completion of the Development Work, such period after the date such Alterations are completed and accepted by Lessee as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.



9.1.5.3 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Development Work or Alterations. Such insurance shall include coverage for all “owned,” “hired” and “non-owned” automobiles, or coverage for “any auto.”

9.1.5.4 Professional Liability. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this subsection 9.1.5.4 shall be (a) Three Million Dollars (\$3,000,000) with respect to the prime architect for the Development Work (or such lesser amount as required by Director for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars (\$1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Development Work or subsequent Alterations, provided that Director shall have the discretion to reduce the coverage limits under this clause (b) if appropriate in the judgment of Director based on the nature and scope of the services being provided.

9.1.5.5 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos or pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or order. If the asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor’s or subcontractor’s Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Development Work or Alterations.

9.1.6 If the use of the Premises or Improvements involves any manufacture, distribution or service of alcoholic beverages, Liquor Liability insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) with a liability limit of not less than Five Million Dollars (\$5,000,000) per occurrence and an annual aggregate of Ten Million Dollars (\$10,000,000), which limits may be covered by a combination of Primary Coverage and Umbrella Coverage. If written on a claims made form, the coverage shall also provide an extended two-year reporting period commencing upon the termination or cancellation of the Lease.

9.2 Provisions Pertaining to Property Insurance. The insurance coverage required in Sections 9.1.4 and 9.1.5.1 shall name the County as an additional insured and any Encumbrance Holder as loss payee. Subject to Section 12.8, upon the occurrence of any loss, the proceeds of property and builder’s risk insurance shall be held by County in trust for the named insureds as

their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than \$500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Effective Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of Improvements in accordance with the terms of the loan agreement or deed of trust with Lessee's Encumbrance Holder. In the event of a loss, Lessee shall be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 11 hereof. Subject to Section 12.8, any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

9.3 General Insurance Requirements. Subject to the immediately following grammatical paragraph, a duplicate policy or policies (or certificates of insurance) evidencing the insurance coverage required under this Article 9, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than the Effective Date, provided that the evidence of the insurance coverage required under Section 9.1.5 shall be required to be delivered by Lessee prior to the commencement of any Development Work or Alterations. All certificates of insurance shall (a) specifically identify the Lease; (b) clearly evidence all coverages required under the Lease; (c) identify any deductibles or self-insured retentions exceeding \$25,000 or such other commercially reasonable amount as approved by the Director; and (d) evidence all other requirements under this Article 9. The policy or policies of insurance shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business days prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.

In lieu of submitting a copy of the policy or policies evidencing the above insurance, Lessee may submit in a form reasonably acceptable to County a certificate of insurance.

Any insurance coverage may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County such that such coverage provides the same protection as required under this Article 9 as if the insurance had been procured on an individual property basis.

9.4 Additional Required Provisions. Lessee's insurance policies required by this Article 9 shall be for a term of not less than one year and shall additionally provide:

(a) that County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, shall be named as additional insureds under any liability insurance policy or policies;

(b) that the full amount of any losses to the extent property insurance proceeds are available shall be payable to additional insureds notwithstanding any act, omission or negligence of Lessee which might otherwise result in forfeiture of such insurance;

(c) in any property insurance policy, a waiver of all right of subrogation against County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers with respect to losses payable under such policies;

(d) in any property insurance policy, that such policies shall not be invalidated should the insured waive, prior to a loss, any or all right of recovery against any party for losses covered by such policies;

(e) to the extent of the indemnification obligations of Lessee in favor of any additional insureds, the property and commercial general liability insurance policies shall provide coverage on a primary and non-contributory basis with respect to such additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;

(f) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgagee clause;

(g) that such policies shall not be suspended, voided, canceled, reduced in coverage or in limits or materially changed without at least thirty (30) days prior written notice to County and all Encumbrance Holders or ten (10) business days in case of cancellation for failure to pay the premium;

(h) that the commercial general liability insurance shall apply separately to each insured against whom a claim is made, except with respect to the overall limits of said insurer's liability; and,

(i) that the property and commercial general liability insurance policies shall contain no special limitations on the scope of protection afforded to the additional insureds, and no failure to comply with the reporting provisions of such policies shall affect the coverage afforded to such additional insureds.

9.5 Failure to Procure Insurance. If Lessee fails to procure or renew the herein required insurance and does not cure such failure within five (5) business days after written notice from County, in addition to the other rights and remedies provided hereunder, County may, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith. All monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) business days after Lessee's receipt of written demand therefor.

9.6 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Section 9.1.1, 9.1.2 and 9.1.3 shall be subject to renegotiation as of each fifth (5th) anniversary of the Effective Date (each, an "Insurance Renegotiation Date"). If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall

execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

9.7 Notification of Incidents, Claims or Suits. Lessee shall notify County of any accident or incident on or about the Premises which involves injury or property damage over Fifty Thousand Dollars (\$50,000.00) in the aggregate and pursuant to which a claim against Lessee and/or County is made or threatened. Such notification shall be made in writing within 72 hours after Lessee first becomes aware of the claim or threatened claim.

10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 Lessee's Maintenance and Repair Obligations. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (including the Promenade, but excluding the Excluded Conditions and excluding the Seawall), in conformance with the Minimum Standards regarding the use and occupancy of residential apartment buildings in Marina del Rey (such as the Premises) as revised from time to time by County in a manner consistent with commercially reasonable maintenance standards applicable to other comparable residential apartment buildings in Marina del Rey (the "Maintenance Standard"). Any dispute as to whether revisions to the Maintenance Standard adopted by the County from time to time pursuant to the immediately preceding sentence are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Without limiting the foregoing, at Lessee's sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises (including the Promenade) and all equipment, Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10. Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, the Maintenance Standard and the terms and provisions of this Article 10. Lessee shall maintain all Improvements on the Premises (other than the Excluded Conditions and the Seawall) in a safe, clean, wholesome and sanitary condition, in the commercially reasonable judgment of Director, and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as is necessary in the commercially reasonable judgment of the Director to maintain the appearance of the Premises in a manner consistent with the Maintenance Standard. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right to enter upon and inspect the Premises at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises. The exclusion of the Excluded Conditions and the Seawall from Lessee's maintenance obligations under this Section 10.1 shall not relieve Lessee from the obligation to repair and restore any damage to the Excluded Conditions and/or the Seawall caused by Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee, and Lessee hereby agrees to perform such repair or restoration work at Lessee's sole cost and expense.

10.2 Intentionally Omitted.

10.3 Intentionally Omitted.

10.4 Deficiency Notices. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under this Article 10, then Lessee shall promptly commence the cure thereof and shall complete such cure within the time period for such cure set forth in the County's deficiency notice, which cure period shall not be less than thirty (30) days except if the deficiency pertains to a condition that is a threat to health or safety or otherwise constitutes an emergency situation, in which case County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury. If Lessee fails to cure any such deficiency within the cure period set forth in County's deficiency notice (which cure period shall comply with the requirements of the immediately preceding sentence of this Section 10.4), then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 of this Lease for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay to County an amount equal to One Hundred Dollars (\$100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured; provided, however, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County's notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will effectuate the cure in as short a period as reasonably possible, then the cure period specified in County's deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from the County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.4 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If a cited deficiency is not health or safety related and does not otherwise constitute an emergency, and if in the reasonable and good faith business judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to Director within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with Director, then Director shall have the right, in the exercise of Director's discretion, to consider such contest. If Lessee's contest is made on a reasonable and good faith basis, then the cure period for the deficiency notice shall be tolled during the period between the date Director receives written notice of such contest and continuing until Director notifies Lessee in writing that either Director denies Lessee's contest or that Director has determined not to consider such contest, and the daily penalty set forth above in this Section 10.4 shall not be applicable during the period that the cure period is tolled. The One Hundred Dollars (\$100) per diem amount set forth in this Section 10.4 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding

each such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.4 within ten (10) days after written notice from County, then County shall have the right to draw on the Security Deposit to cover such unpaid amounts.

10.5 Option to Terminate for Uninsured Casualty. In the event of any damage to or destruction of the Premises, or any Improvements located thereon (other than the Excluded Conditions and the Seawall, except to the extent damage thereto is caused by the Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee), Lessee shall, except as otherwise expressly provided in this Section 10.5, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.5, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises (other than the Excluded Conditions and the Seawall) are substantially damaged or destroyed and such damage or destruction resulted from a cause not required to be insured against by this Lease (an “Uninsured Loss”), and where all of the following occur:

10.5.1 No more than one hundred (100) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include both a copy of Lessee’s notification to the Encumbrance Holder, if any, of Lessee’s intention to exercise this option to terminate and Lessee’s certification under penalty of perjury that Lessee has delivered or mailed such notification to the Encumbrance Holder in accordance with this subsection 10.5.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee’s desire to terminate this Lease.

10.5.2 No more than sixty (60) days following the giving of the notice required by subsection 10.5.1 or such longer time as may be reasonable under the circumstances, Lessee shall, at Lessee’s expense: remove all debris and other rubble from the Premises; secure the Premises against trespassers; and, at County’s election, remove all remaining Improvements on the Premises.

10.5.3 No more than sixty (60) days following the loss, Lessee delivers to County a quitclaim deed to the Premises in recordable form, in form and content satisfactory to County and/or with such other documentation as may be reasonably requested by County or any title company on behalf of County, terminating Lessee’s interest in the Premises and reconveying such interest to County free and clear of any and all Encumbrances and Subleases.

10.5.4 Within ten (10) days following the County’s receipt of the notice referred to in subsection 10.5.1, County has not received both written notice from the Encumbrance Holder, if any, objecting to such termination and an agreement containing an effective assignment of Lessee’s interest in this Lease to such Encumbrance Holder

whereby such Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee's obligations under this Lease.

10.6 No Option to Terminate for Insured Casualty. Lessee shall have no option to terminate this Lease or otherwise be relieved of its obligation to restore the Improvements on the Premises where the damage or destruction results from a cause required to be insured against by this Lease.

10.7 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises; provided, however, that Director shall in its good faith discretion consider the application of funds toward the maintenance, repair and replacement of the existing seawall protecting the Premises (the "Seawall") if and to the extent such funds are made available to Director for such uses by County and its Board of Supervisors. Director shall undertake such maintenance, repair and replacement, if any, with due diligence consistent with the funding provided. In the event the Seawall is in imminent danger of collapse or has collapsed, Director shall promptly seek funding from the Board of Supervisors for repair or replacement as may be necessary to avoid or repair such collapse. If County is obligated to maintain or repair the Seawall under the terms of a lease between the County and any other lessee in Marina del Rey, or if County in fact maintains or repairs the Seawall for the benefit of any other lessee in Marina del Rey, County shall have the same obligation(s) with respect to the Seawall protecting the Premises. Except as expressly provided in this Section 10.7, County shall have no obligation to maintain or repair the Seawall.

10.8 Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, Director may notify Lessee of said failure in writing, and should Lessee fail to cure said failure and make repairs or replacements within a reasonable time as established by Director, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against Lessee as provided in Section 13.5.

10.9 Other Repairs. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.9 and any entry onto the Premises to perform work on the Seawall pursuant to Section 10.7 above, shall be made in accordance with the following requirements: (i) prior to entry onto the Premises County shall cause each of its contractors to provide to Lessee evidence that such contractor has procured commercial general liability insurance coverage pertaining to such contractor's activities on the Premises, which insurance coverage shall be consistent with County's insurance requirements generally applicable to County contractors, and shall name Lessee as an additional insured; (ii) County's contractors shall comply with industry standard safety requirements; (iii) County shall repair, or cause its contractors to repair, any damage to the Premises caused by the activities of County and/or its contractors on the Premises pursuant to this Section 10.9 or Section 10.7 above; and (iv) any entry onto the Premises by County or its contractors for the purpose of performing work pertaining to the Seawall shall be confined to the Promenade and the fire access lane over the Premises, except in extraordinary circumstances to the extent that due to the scope or nature of the work and/or due to safety concerns, the work cannot reasonably be confined to

such area. In any such extraordinary situation County and Lessee agree to cooperate to define a work and/or access area that is reasonably acceptable to both parties.

10.10 Notice of Damage. Lessee shall give prompt notice to County of any fire or material damage affecting the Premises from any cause whatsoever.

10.11 Waiver of Civil Code Sections. The parties' rights shall be governed by this Lease in the event of damage or destruction. The parties hereby waive the provisions of California Civil Code Section 1932 and any other provisions of law which provide for contrary or additional rights.

## 11. ASSIGNMENT AND SUBLEASE.

### 11.1 Subleases.

11.1.1 Definition. The term "Sublease" shall mean any lease, license, permit, concession or other interest in the Premises, or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee's interest under this Lease. "Sublessee" shall be the person or entity to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess or use all or substantially all of the Premises is sometimes referred to in this Lease as a "Major Sublease" and the Sublessee under such agreement is sometimes referred to in this Lease as a "Major Sublessee".

11.1.2 Approval Required. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease or an Approved Apartment Lease (as defined below), or of any assignment or material amendment of such Sublease, Lessee shall submit a copy of such Sublease (or assignment or amendment thereof), to Director for approval, which approval shall not be unreasonably withheld. To the extent practical, Director shall approve or disapprove said proposed Sublease, amendment or assignment within thirty (30) days after receipt thereof. In no event, however, shall any such Sublease, amendment or assignment be made or become effective without the prior approval of Director. Each such Sublease shall specifically provide that the Sublessee shall comply with all of the terms, covenants, and conditions of this Lease applicable to the portion of the Premises subject to the Sublease.

Notwithstanding any contrary provision of this Article 11, Lessee shall not be required to obtain County's approval of any Sublease of an individual apartment unit in the ordinary course (but not the master lease of multiple units) to a person or persons who will physically occupy the subleased unit, as long as such Sublease is in the form of the standard residential apartment lease hereafter submitted to and approved by County and the term of such Sublease does not exceed twelve (12) months (each, an "Approved Apartment Lease"). The terms and provisions of Sections 11.2 and 11.3 of this Lease shall not be applicable to Approved Apartment Leases. Upon request by County, Lessee shall furnish County with a current rent roll respecting the Approved Apartment Leases and a copy of all of such Approved Apartment Leases.



11.1.3 Major Sublease. Lessee shall enter into a Major Sublease only with a reputable owner or manager of comparable residential apartment such as exist on the Premises. In light of the inherent detailed nature of a Major Sublease, Lessee shall deliver to County a copy of any proposed Major Sublease, or any sub-sublease or any other document pursuant to which an interest is proposed to be transferred in all or substantially all of the Premises, not less than sixty (60) days prior to the proposed effective date of such proposed Major Sublease or other document, for County's review and approval pursuant to the procedures and requirements specified in Section 11.2.

11.2 Approval of Assignments and Major Subleases. Except as specifically provided in this Article 11, Lessee shall not, without the prior written consent of County, which shall be based upon factors described in Exhibit C hereto, which is incorporated herein by this reference ("Assignment Standards"), and which shall be applied in a commercially reasonable manner, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein (including without limitation the right to manage or otherwise operate the Improvements located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of the all or substantially all of the Premises. Notwithstanding the foregoing, Lessee shall have the right, without the prior approval of County, to retain an affiliate of Lessee as the property manager for the Premises. Any Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee (as opposed to an assignment of the Lease) shall not require County consent if it is an Excluded Transfer. If such Change of Ownership with respect to beneficial ownership interests is not an Excluded Transfer, then it shall require County's consent as if it constituted an assignment of Lessee's interest in this Lease. For avoidance of doubt, any actual assignment of Lessee's interest in this Lease shall require County consent even if it is an Excluded Transfer; provided, however, that in the case of an assignment of the Lessee's interest in the Lease that constitutes an Excluded Transfer, Director shall have the authority to grant consent on behalf of County. In addition, for purposes of this provision, the following acts of Lessee (except for Excluded Transfers) shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (b) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; or (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock, partnership interests or limited liability company interests in an entity which owns, or is a general partner or managing member of an entity which owns, an interest in this Lease; provided, however, that with respect to any sale, assignment or transfer of an AIG Entity or ownership interests therein, the phrase "fifty percent (50%) or more" in clause (2) above shall be changed to "more than fifty percent (50%)." Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the matters provided herein requiring County's consent. These same limitations and approval requirements as to Lessee's interest under the Lease shall also apply with respect to the Sublessee's interest under a Major Sublease.

11.2.1 County's Use of Discretion and Limitation on Permissible Assignees. In exercising its discretion to approve assignments as provided in this Section 11.2, County shall take into account the Assignment Standards and, if County determines that such Assignment Standards are satisfied, County shall not withhold or unreasonably delay its consent to any proposed assignment.

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any of the Lessee's interest in this Lease (as opposed to ownership interests in Lessee itself) shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

11.2.3 Procedure. Requests for approval of any proposed assignment shall be processed in accordance with the following procedures:

11.2.3.1 Prior to entering into any agreement requiring the approval of County pursuant to Sections 11.1 or 11.2, Lessee (or the entity seeking approval of such assignment) shall notify County and deliver to County all information relevant to the proposed assignment, including without limitation any term sheets, letters of intent, draft Major Subleases, any other documents which set forth any proposed agreement regarding the Premises and the information set forth in subsection 11.2.3.5. County will evaluate the information provided to it and County may request additional information as may be reasonably necessary to act on the request. Under no circumstances will County formally discuss an assignment with any proposed assignee prior to reviewing the proposal with Lessee.

11.2.3.2 In completing its review of the proposal and granting or withholding its consent thereto, County will not be bound by any deadline contained in any proposed assignments, Major Subleases, escrow instructions or other agreements to which County is not a party.

11.2.3.3 Lessee acknowledges that the time needed for County to review a proposed assignment depends on many factors, including without limitation the complexity of the proposed transaction, the financial and other information submitted for review, and the workload of County's personnel. Notwithstanding the foregoing, County shall act as promptly as governmental processes permit in processing and acting upon a requested approval of an assignment of Lessee's interest under this Article 11.

11.2.3.4 Lessee shall be required to reimburse County for its Actual Costs incurred in connection with the proposed assignment, whether or not County ultimately grants its approval to the proposed assignment (without duplication with any Administrative Charge payable under Section 4.6).

11.2.3.5 Lessee or the proposed assignee shall provide County with sufficient information for County to determine if the public interest will be served by approving the proposed transaction. The information that must be provided includes, but shall not be limited to, the following:

(a) Nature of the Assignee. Full disclosure is required in accordance with this Lease and County's applicant disclosure policy then in effect. Additionally, a flowchart identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County's disclosure policy, has had any leasehold or concessionaire's interest canceled or terminated by the landlord due to the tenant or Lessee's breach or default thereunder.

(b) Financial Condition of Assignee. County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee's financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) Financial Analysis. County shall be provided with the proposed assignee's financing plan for the operation of the Premises (unless the assignment is pursuant to a Change of Ownership that is an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the financing plan for the operation and improvement of the Premises) and for any contemplated improvement thereof, demonstrating such proposed assignee's financial capability to so operate the Premises and construct such improvements. Such financing plan shall include, but not be limited to, information detailing (1) equity capital; (2) sources and uses of funds; (3) terms of financing; (4) debt service coverage and ratio; and (5) loan to value ratio. The proposed assignee shall also provide County with documentation demonstrating such proposed assignee's financial viability, such as letters of commitment from financial institutions which demonstrate the availability of sufficient funds to complete any proposed construction or improvements on the Premises. Further, such proposed assignee shall authorize the release of financial information to County from financial institutions relating to the proposed assignee or other information supplied in support of the proposed assignment.

(d) Business Plan. County shall be provided with the proposed assignee's business plan for the Premises (unless the assignment is pursuant to a Change of Ownership that constitutes an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the business plan for the Premises), including pro forma financial projections for the Premises for the five (5) year period beginning upon the commencement of the proposed assignment. Such pro forma projections will include capital costs, income and expenses, as well as debt service

and all other payments to providers of debt and equity, and will be accompanied by a statement of basic assumptions and an identification of the sources of the data used in the production of such projections.

(e) Assignor's Financial Statements. County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

(f) Cure of Defaults. County shall be provided with the proposed assignee's specific plans to cure any and all delinquencies under this Lease which may be identified by County, whether identified before or after the date of the proposed assignment.

(g) Prospectus Materials. County shall be provided with any materials distributed to third parties relating to the business of the proposed assignee to be conducted on, from or relating to the Premises.

(h) Other Information. County shall be provided with a clear description of the terms and conditions of the proposed assignment, including a description of the proposed use of the Premises and any proposed alterations or improvements to the Premises. Additionally, County shall be provided with any and all other information which it reasonably requests of Lessee to assist in its review of the proposed transaction, including without limitation materials pertinent to the issues noted in this subsection to the extent that they exist, such as escrow instructions, security agreements, personal property schedules, appraisals, market reports, lien releases, UCC Statements, preliminary title reports, management agreements affecting the Premises, contracts in excess of \$25,000 affecting the Premises, schedules of pending or threatened litigation, and attorneys' closing opinions relating to Lessee, the proposed assignee or the Premises. County shall endeavor to keep the foregoing materials confidential, subject to the Public Records Act and other Applicable Laws.

11.2.3.6 Nondisturbance. At the request of Lessee, County shall agree to execute a subordination, nondisturbance and attornment agreement and a ground lessor's estoppel certificate on commercially reasonable terms in favor of any Major Sublessee.

11.2.3.7 Final Documents. Prior to granting its approval over any proposed assignment, County shall be provided with an executed Assignment and Acceptance of Assignment in form and content as approved or supplied by the County. Ten (10) copies of each must be submitted to County, of which five (5) shall be signed originals and properly acknowledged.

11.2.4 County Right to Recapture. The terms and provisions of this subsection 11.2.4 shall be applicable only on and after March 1, 2021 and continuing during the remaining Term of the Lease. If Lessee proposes to assign its interest in this Lease or the Premises, or proposes to enter into any Major Sublease affecting the Premises (with either such proposed transaction herein referred to as a "Proposed

Transfer”), on or after March 1, 2021, it shall provide County with written notice of such desire and the sale price (“Lessee Sale Price”) at which it is willing to consummate the Proposed Transfer. Within thirty (30) days thereafter, the County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said thirty (30) day period, Lessee may continue to market the interest subject to the Proposed Transfer, provided that such interest is offered subject to County’s rights as provided herein. In the event that, prior to the expiration of said thirty (30) day period, County has given notice to Lessee that it has elected to acquire said option, Lessee shall deliver to County an assignable option to purchase the interest subject to the Proposed Transfer (“County Option”) at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, County shall pay to Lessee at the expiration of the County Option period (or, at County’s election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum (the “County Option Price”) which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County’s election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to cause Lessee to issue the County Option within said thirty (30) day period or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then during the nine (9) month period following the later of (a) or (b), Lessee shall be entitled to enter into an agreement to consummate the Proposed Transfer with a third party (subject to County’s approval rights as otherwise set forth in this Lease) so long as (1) the actual price for the Proposed Transfer is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material terms to the assignee, and (2) the transfer is consummated not later than twelve (12) months after the later of (a) or (b). In the event of a proposed Major Sublease or other permitted assignment of less than all of the Premises, County’s election shall pertain to such portion of the Premises subject to the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee’s interest in the Premises, Lessee’s Annual Minimum Rent shall be proportionally reduced, Lessee’s obligation to pay Percentage Rent and Supplemental Percentage Rent shall pertain only to the amounts derived from the portion of the Premises retained by Lessee, and if the portion of the Premises acquired by County includes apartment units, then the Apartment Gross Receipts Thresholds and Cumulative Apartments Gross Receipts Thresholds set forth on Exhibit F shall be adjusted to reflect the removal from the Premises of the apartment units recaptured by County. In the event that County elects to recapture all or any portion of the Premises as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination. County’s rights

pursuant to this subsection 11.2.4 shall not apply to Financing Events or those events identified in subsection 4.6.2 of this Lease.

11.2.5 County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and all other amounts payable under the Lease, if any (including a provisional credit in an amount reasonably acceptable to County for any amounts that may arise from an audit by County, but that have not yet been determined as of that date), with late fees and interest as provided herein, from the end of the period most recently subject to County audit through the date of the purchase of the interest by County. In the case of any unpaid rental amounts that may be found to be owing to County in connection with any uncompleted audit by County, in lieu of a provisional credit for such amounts, Lessee may provide County with a letter of credit or other security satisfactory to County to secure the payment of such unpaid amounts when finally determined by County. During the term of the County Option, Lessee shall cause to be available to County all books and records reasonably necessary in order to determine the amount of such unpaid Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other amounts payable under the Lease. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

11.3 Terms Binding Upon Successors, Assigns and Sublessees. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by Lessee hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of Lessee, and all rights, privileges and benefits arising under this Lease in favor of Lessee shall be available in favor of its heirs, executors, administrators, successors, and assigns. Notwithstanding the foregoing, no assignment or subletting by or through Lessee in violation of the provisions of this Lease shall vest any rights in any such assignee or Sublessee. Any approved assignment of this Lease shall release the assignor of all liability arising due to actions or omissions on or after the effective date of such assignment, provided the assignee assumes all of such liability, including without limitation the obligation of assignee to cure any defaults and delinquencies under this Lease and to pay County Percentage Rent, Supplemental Percentage Rent and any other amounts attributable to the period prior to the assignment, but not discovered by County or the assignee until after the assignment; provided, further, the assignor shall not be relieved of any liability for the payment of the Administrative Charge or the required portion of any Net Proceeds Share or Net Refinancing Proceeds which arise upon such assignment as provided herein.

11.4 Family Transfers. Notwithstanding any contrary provision of this Article 11, the County's approval shall not be required, nor shall the County's rights of recapture under

subsection 11.2.4 be applicable, with respect to any transfer of ownership interests in Lessee or in constituent entities of Lessee, if such transfer is to a member of the immediate family of the transferor (or to a trust for the benefit of a member of the immediate family of the transferor) for estate planning purposes, whether such transfer is the result of gift, devise, intestate succession or operation of law.

11.5 Property Management. Notwithstanding any contrary provision of this Article 11, Lessee shall be permitted to hire one or more management companies of its choosing for property management of the Premises and/or may conduct such property management activities using its own staff. Any management company hired by Lessee to perform property management of the Premises shall at the time of such engagement (a) have at least five (5) years' of experience in the operation and management of at least 2,000 rental apartments, without material violations of law or discrimination, and (b) have a valid license to manage residential dwelling units issued by the California Department of Real Estate (or its successor). To the extent Lessee uses Lessee's own staff for property management of the Premises, Lessee's own staff at the time of such engagement shall have at least (i) five (5) years' of experience in the operation and management of at least 2,000 rental apartments, without material violations of law or discrimination, and (ii) have a valid license to manage residential dwelling units issued by the California Department of Real Estate (or its successor).

## 12. ENCUMBRANCES.

### 12.1 Financing Events.

12.1.1 Definitions. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof: (i) a "Financing Event" shall mean any financing or refinancing consummated by Lessee or by the holders of partnership interests or other direct or indirect ownership interests in Lessee (collectively, "Ownership Interests"), whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below); for purposes of Section 12.1.2 below and Sections 4.6 through 4.8 above, a "Financing Event" shall also include all of the foregoing actions involving the granting of a mortgage, deed of trust or other security interest in a Major Sublease; and (ii) an "Encumbrance" shall mean any direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance, of or in all or any portion of (A) Lessee's interest under this Lease and the estate so created (including without limitation a direct or indirect assignment of Lessee's right to receive rents from subtenants) or (B) Ownership Interests if an absolute assignment from the holder of such Ownership Interests to the holder of the Encumbrance would have required County's consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the "Encumbrance Holder") as security for a loan. The term "Encumbrance Holder" shall also be deemed to include any and all affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance, or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the leasehold estate under this Lease or to Ownership Interests, and such affiliates shall enjoy all of the rights and protections given to

Encumbrance Holders under this Lease. The term "Equity Encumbrance Holder" shall mean an Encumbrance Holder holding an Encumbrance with respect to Ownership Interests.

12.1.2 County Approval Required. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific conditions which may be reasonably imposed by Director, consummate one or more Financing Event(s). Lessee shall submit to Director a preliminary loan package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment (or the so-called "loan application" if the loan commitment is styled as a loan application) and any other documents, materials or other information reasonably requested by Director. Lessee shall have the right, but not the obligation, to include draft loan documents in the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Development Work) to grant or withhold approval of the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Development Work) after receipt of substantially complete loan documents conforming to the approved preliminary loan package in which to grant or withhold final approval of the Financing Event; provided, however, that if the preliminary loan package included draft loan documents then the foregoing sixty (60) day period shall be reduced to thirty (30) days. If not approved by Director in writing within the foregoing periods, the proposed Financing Event shall be deemed disapproved by Director (and, if so requested in writing by Lessee), Director shall within thirty (30) days of such request deliver to Lessee a written description of Director's objections to said proposed Financing Event). Lessee shall reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. The same rights and obligations set forth above in this subsection 12.1.2 shall inure to the benefit of and shall be binding upon any holder of Ownership Interests with respect to any proposed Financing Event involving Ownership Interests.

## 12.2 Consent Requirements In The Event of a Foreclosure Transfer.

12.2.1 Definitions. As used herein, a "Foreclosure Transfer" shall mean any transfer of the entire leasehold estate under this Lease or of all of the Ownership Interests in Lessee pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or with respect to an Encumbrance, or by voluntary deed or other transfer in lieu thereof. A "Foreclosure Transferee" shall mean any transferee (including without limitation an Encumbrance Holder) which acquires title to the entire leasehold estate under this Lease or to all of the Ownership Interests in Lessee pursuant to a Foreclosure Transfer. An "Equity Foreclosure Transferee" shall mean a Foreclosure Transferee whose acquired interest consists of all of the Ownership Interests in Lessee.

12.2.2 Foreclosure Transfer. The consent of County shall not be required with respect to any Foreclosure Transfer.



12.2.3 Subsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of this Lease or the Ownership Interests (as applicable) by such Encumbrance Holder to any third party, (i) County's consent to such transfer shall be required, but shall not be unreasonably withheld or delayed, and the scope of such consent (notwithstanding anything in this Lease to the contrary) shall be limited to County's confirmation (which must be reasonable) that the Lessee following such transfer has sufficient financial capability to perform its remaining obligations under this Lease as they come due, along with any obligation of Lessee for which the Foreclosure Transferee from whom it receives such transfer is released under subsection 12.3.1 below, and (ii) such transferee (other than a transferee of Ownership Interests) shall expressly agree in writing to assume and to perform all of the obligations under this Lease, other than Excluded Defaults (as defined below). For clarification purposes, the right to a single transfer under this Section shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, so that there may be more than one "single transfer" under this Section.

12.3 Effect of Foreclosure. In the event of a Foreclosure Transfer, the Encumbrance Holder shall forthwith give notice to County in writing of such transfer setting forth the name and address of the Foreclosure Transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made.

12.3.1 Any Encumbrance Holder which is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial real estate loans, including any affiliate thereof (an "Institutional Lender"), shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults as defined below) accruing during its period of ownership of the leasehold. Upon a subsequent transfer of the leasehold in accordance with subsection 12.2.3 above, such Institutional Lender shall be automatically released of any further liability with respect to this Lease, other than for (i) rent payments, property tax payments, reserve account payments and other monetary obligations under specific terms of the Lease that accrue solely during such Institutional Lender's period of ownership of the leasehold, and (ii) Lessee's indemnification obligations under this Lease with respect to matters pertaining to or arising during such Institutional Lender's period of ownership of leasehold title.

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Section 12.3.1 above) shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults), subject to possible release of liability upon a subsequent transfer pursuant to Section 11.3 above.

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as

the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is an incurable non-monetary default, (ii) is a non-monetary default that can only be cured by a prior lessee, (iii) is a non-monetary default that is not reasonably susceptible of being cured by such transferee, or (iv) relates to any obligation of a prior lessee to pay any Net Proceeds Share (collectively, "Excluded Defaults"), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Section 12.3.7 below, following any Foreclosure Transfer which is a transfer of Ownership Interests, the foregoing rights under this Section 12.3.3 shall also inure to the benefit of the Lessee.

12.3.4 No Encumbrance Holder shall become liable for any of Lessee's obligations under this Lease unless and until such Encumbrance Holder becomes a Foreclosure Transferee with respect to Lessee's leasehold interest under the Lease.

12.3.5 No Foreclosure Transfer, and no single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to subsection 12.2.3, shall trigger (i) any obligation to pay an Administrative Charge nor any Net Proceeds Share, (ii) any acceleration of the Extension Fee or any other financial obligation of Lessee under this Lease, (iii) any recapture right on the part of County, or (iv) any termination right under this Lease. Any Foreclosure Transfer, and any single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to subsection 12.2.3, shall be deemed to be excluded from the definition of "Change of Ownership" for all purposes of this Lease. For clarification purposes, the "single subsequent transfer" referred to above applies to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder (as more fully explained in Section 12.2.3), so that there may be more than one "single subsequent transfer" benefited by this Section.

12.3.6 In the event that an Institutional Lender becomes a Foreclosure Transferee, all obligations with respect to the construction and renovation work described in Sections 5.1, 5.2 or 5.13 above (other than any obligations to make deposits into the Renovation Fund) shall be tolled for a period of time, not to exceed twelve months, until such Institutional Lender completes a subsequent transfer of its foreclosed interest in the Lease or Ownership Interests, provided that such Institutional Lender is making commercially reasonable and diligent efforts to market and sell its foreclosed interest. Nothing in this Section 12.3.6 shall be construed as a limit or outside date on any cure periods provided to Encumbrance Holders under this Lease.

12.3.7 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an

Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.

12.4 No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Minimum Rent, Percentage Rent and Supplemental Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

12.5 Modification or Termination of Lease. This Lease shall not be modified or amended without the prior written consent in its sole discretion of each then existing Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee. Further, this Lease may not be surrendered or terminated (other than in accordance with the provisions of this Article 12) without the prior written consent of each such Encumbrance Holder in its sole discretion. No such modification, amendment, surrender or termination without the prior written consent of each such then existing Encumbrance Holder shall be binding on any such Encumbrance Holder or any other person who acquires title to its foreclosed interest pursuant to a Foreclosure Transfer.

12.6 Notice and Cure Rights of Encumbrance Holders and Major Sublessees.

12.6.1 Right to Cure. Each Encumbrance Holder and Major Sublessee shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, and in accordance with the provisions of this Article 12, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.

12.6.2 Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 10.4 in the case of emergency situations), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event

or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.4.

12.6.3 Manner of Curing Default. Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

(a) If the Event of Default is in the payment of rental, taxes, insurance premiums, utility charges or any other sum of money, an Encumbrance Holder or the Major Sublessee may pay the same, together with any Late Fee or interest payable thereon, to County or other payee within thirty five (35) days after its receipt of the aforesaid notice of default. If, after such payment to County, Lessee pays the same or any part thereof to County, County shall refund said payment (or portion thereof) to such Encumbrance Holder or Major Sublessee.

(b) If the Event of Default cannot be cured by the payment of money, but is otherwise curable, the default may be cured by an Encumbrance Holder or Major Sublessee as follows:

(1) The Encumbrance Holder or Major Sublessee may cure the default within sixty (60) days after the end of Lessee's cure period as provided in Section 13.1 hereof (or, if the default involves health, safety or sanitation issues, County may by written notice reduce such sixty (60) day period to thirty (30) days, such 60 or 30 day period, as applicable, being referred to herein as the "initial cure period"), provided, however, if the curing of such default reasonably requires activity over a longer period of time, the initial cure period shall be extended for such additional time as may be reasonably necessary to cure such default, so long as the Encumbrance Holder or Major Sublessee commences a cure within the initial cure period and thereafter continues to use due diligence to perform whatever acts may be required to cure the particular default. In the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's initial cure period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree

of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

## 12.7 New Lease.

12.7.1 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within sixty (60) days after such Encumbrance Holder has received the above-described written notice from the County. Within a reasonable period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in subsection 12.2.3 above, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all

terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

12.7.2 Priority of New Lease. The new lease made pursuant to this Section 12.7 shall be prior to any mortgage or other lien, charge or encumbrance on County's fee interest in the Premises, and any future fee mortgagee or other future holder of any lien on the fee interest in the Premises is hereby given notice of the provisions hereof.

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of (i) any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease), and (ii) any funds required to be held in the Renovation Fund (provided that such funds shall be used for the purposes required by this Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

12.9 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder shall have the right to intervene and become a party in any arbitration, litigation, condemnation or other proceeding affecting this Lease. Lessee's right to make any election or decision under this Lease with respect to any condemnation settlement, insurance settlement or restoration of the Premises following a casualty or condemnation shall be subject to the prior written approval of each then existing Encumbrance Holder.

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

12.11 No Merger. Without the written consent of each Encumbrance Holder, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee and leasehold interests are held at any time by the same person or entity.

12.12 Intentionally Omitted

12.13 Intentionally Omitted[12.14 Supplemental Agreement With Initial Encumbrance Holders. County, Lessee, and the initial Encumbrance Holder(s) of this Lease [i.e., (i) \_\_\_\_\_ (holder of an Encumbrance which encumbers Lessee's

leasehold interests under this Lease) and (ii) \_\_\_\_\_ (holder of an Encumbrance which encumbers all of the Ownership Interests in Lessee)], have entered into a Ground Lessor's Consent and Agreement of substantially even date with this Lease which will be recorded in the Official Records of Los Angeles County, containing (among other things) provisions that alter and supplement certain provisions of this Article 12 and other provisions of the Lease (the "Ground Lessor's Consent and Agreement"). For so long as such initial Encumbrances are outstanding, this Article 12 (and any other provisions of this Lease, to the extent applicable) shall be subject to the provisions of the Ground Lessor's Consent and Agreement, and the provisions of the Ground Lessor's Consent and Agreement shall govern in the event of any conflicts with this Lease.]

### 13. DEFAULT.

13.1 Events of Default. The following are deemed to be "Events of Default" hereunder:

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, Extension Payments or deposits to the Renovation Fund or Capital Reserve Fund), within ten (10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, if any, within such ten (10) day period.

13.1.2 Maintenance of Security Deposit. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 7 of this Lease if not cured within five (5) days after written notice of such failure.

13.1.3 Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee's failure to perform from Director; provided, however, that where Lessee's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time. Notwithstanding any contrary provision of this Section 13.1.3, the proviso set forth in the immediately preceding sentence providing for an extension of the cure period beyond thirty five (35) days shall not be applicable to any failure of Lessee to comply with the Required Construction Commencement Date and/or the Required Construction Completion Date set forth in subsection 5.1.3 above (as such dates may extended pursuant to Sections 5.6 or 5.7).

13.1.4 Nonuse of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days after written notice by Lessor, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including 13.1.3 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

13.2 Limitation on Events of Default. Lessee shall not be considered in default as to any provision of this Lease when such default is the result of or pursuant to, any process, order, or decree of any court or regulatory body of competent jurisdiction, or any other circumstances which are physically impossible to cure provided Lessee uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.6 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 Terminate Lease. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination under this subsection shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in subsection 13.4.3, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, and shall permit such access to the Premises as is reasonably necessary to permit Lessee to comply with its removal obligations.

13.3.2 Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises and allows Lessee to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and bring suit from time to time for rent and other sums due, and for Lessee's breach of other covenants and agreements herein. No act by or on behalf of County under this provision shall constitute a termination of this Lease unless County gives Lessee written notice of termination. It is the intention of the parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

13.3.3 Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to subsection 13.3.2, thereafter County may elect to terminate this Lease and all of Lessee's rights in or to the Premises unless prior to such



termination Lessee shall have cured the Event of Default or shall have satisfied the provisions of Section 13.2, hereof. County agrees to use reasonable efforts to mitigate damages.

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

13.4.2 Post-Termination Rent. The worth, at the time of the award, of the unpaid rent that would have been earned under this Lease after the date of termination of this Lease until the date Lessee surrenders possession of the Premises to County; and

13.4.3 Other Amounts. The amounts necessary to compensate County for the sums and other obligations which under the terms of this Lease become due prior to, upon or as a result of the expiration of the Term or sooner termination of this Lease, including without limitation, those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession, the cost of removal of rubble, debris and other above-ground Improvements, attorney's fees, court costs, and unpaid Administrative Charges, Net Proceeds Shares and Net Refinancing Proceeds.

13.5 Others' Right to Cure Lessee's Default. County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this section), at any time after Lessee's failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee's cost and expense. If, after delivering to Lessee two (2) or more written notices with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars (\$1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6 Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any

provision or provisions of this Lease shall not exceed the value of County's equity interest in the Premises and its right to insurance proceeds in connection with the policies required under Article 9 hereof.

#### 14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or sublessee's or licensee's, as appropriate) other business operations, if any. With respect to the calculation of Gross Receipts and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) delinquent rents due from individual tenants (but not corporate tenants) is not accrued, (B) expenses are accrued on an approximate basis (i.e., materiality) each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

14.2 Cash Registers. To the extent retail sales are conducted on the Premises, or other cash or credit sales of goods or services are conducted, all such sales shall be recorded by means of cash registers or computers which automatically issue a customer's receipt or certify the amount recorded in a sales slip. Said cash registers shall in all cases have locked-in sales totals and transaction counters which are constantly accumulating and which cannot, in either case, be reset, and in addition thereto, a tape (or other equivalent security mechanism) located within the register on which transaction numbers and sales details are imprinted. Beginning and ending cash register readings shall be made a matter of daily record.

Lessee shall cause to be implemented point of sale systems which can accurately verify all sales for audit purposes and customer review purposes, which system shall be submitted to the Director in advance of installation for his approval, which approval will not be unreasonably withheld or delayed.

Lessee's obligations set forth in this Section 14.2 include Lessee's obligation to insure that Lessee's sublessees, licensees, permittees, concessionaires and any other occupants of any portion of the Premises keep records sufficient to permit County and County's auditors to determine the proper levels of Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Gross Receipts during the

preceding calendar month, together with its calculation of the amount payable to County under Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Gross Receipts derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

14.5 Cost of Audit. In the event that, for any reason, Lessee does not make available its (or its sublessee's or licensee's) original records and books of account at the Premises or at a location within Los Angeles County, Lessee agrees to pay all expenses incurred by County in conducting any audit at the location where said records and books of account are maintained. In the event that any audit discloses a discrepancy in County's favor of greater than two percent (2%) of the revenue due County for the period audited, then Lessee shall pay County audit contract costs, together with the amount of any identified deficiency, with interest thereon and Late Fee provided by Section 4.5.

14.6 Additional Accounting Methods. Upon written notice from County, County may require the installation of any additional accounting methods or machines which are typically used by major residential management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

14.7 Accounting Year. The term "Accounting Year" as used herein shall mean each calendar year during the Term.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, Lessee shall deliver to County the following financial statements: (i) a balance sheet of Lessee as of the end of such Accounting Year, certified by Lessee's chief financial officer as accurately reflecting Lessee's assets and liabilities, which balance sheet shall not be required to be audited, provided that at County's request not more often than every two years, such balance sheet shall be audited by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County (a "Qualified CPA"); (ii) a profit and loss statement of Lessee for such Accounting Year, audited and certified by a Qualified CPA; and (iii) a Gross Receipts, Percentage Rent and Supplemental

Percentage Rent statement for such Accounting Year, audited and certified by a Qualified CPA, which statement shall include a certification and unqualified opinion of such Qualified CPA (1) concerning Lessee's Gross Receipts (including a breakdown by category), and (2) that the correct amounts of Percentage Rent and Supplemental Percentage Rent have been paid to the County in connection with such Gross Receipts. All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all sublessees, licensees, concessionaires and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records and the delivery to County of audited certified financial statements and unqualified opinions as to Gross Receipts. County shall provide written notice to Lessee of the failure of any sublessee, concessionaire or other person to comply with this subsection after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such sublessee, concessionaire or other person and accepted by County, or as otherwise determined pursuant to Section 14.10. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such sublessee, concessionaire or other person, to the extent Lessee does not have a direct right of enforcement against sublessee, concessionaire or other person.

14.10 Inadequacy of Records. In the event that Lessee or its sublessees, licensees or concessionaires, as appropriate, fails to keep the records required by this Article 14 such that a Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach, County may prepare a calculation of the Percentage Rent and Supplemental Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage Rent and Supplemental Percentage Rent due, if any, Lessee shall pay such Percentage Rent and Supplemental Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent and Supplemental Percentage Rent were due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent and Supplemental Percentage Rent due.

## 15. MISCELLANEOUS.

15.1 Quiet Enjoyment. Lessee, upon performing its obligations hereunder, shall have the quiet and undisturbed possession of the Premises throughout the Term of this Lease, subject, however, to the terms and conditions of this Lease.

15.2 Time is of the Essence. Except as specifically otherwise provided for in this Lease, time is of the essence of this Lease and applies to all times, restrictions, conditions, and limitations contained herein.

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it. The parties acknowledge that Lessee has paid all Actual Costs incurred by County through \_\_\_\_\_, and has on deposit with County the sum of \$\_\_\_\_\_ toward costs incurred after \_\_\_\_\_. County shall deliver to Lessee a report detailing such expenditures (along with invoice summaries or other supporting documentation) within ninety (90) days after the Effective Date.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

15.4.1.2 Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make no demands upon County for any construction, alterations, or any kind of labor that may be necessitated in connection therewith.

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument. The waiver and release set forth in this subsection 15.4.1.3 shall not apply to the Excluded Conditions.

15.4.1.4 California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO  
CLAIMS WHICH THE CREDITOR DOES NOT KNOW

OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

By initialing this paragraph, Lessee acknowledges that it has read, is familiar with, and waives the provisions of California Civil Code §1542 set forth above, and agrees to all of the provisions of subsection 15.4.1.3 above.

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Lessee's Initials

15.4.2 Right of Offset. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's construction, maintenance and repair obligations set forth herein, and, notwithstanding anything to the contrary provided in this Lease or by applicable law, Lessee hereby waives any and all rights, if any, to make repairs at the expense of County and to deduct or offset the cost thereof from the Annual Minimum Rent, Monthly Minimum Rent, Percentage Rent, Supplemental Percentage Rent or any other sums due County hereunder.

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent, Percentage Rent and Supplemental Percentage Rent in effect at the end of the Term shall be increased to one hundred twenty five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

15.6 Waiver of Conditions or Covenants. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms, and agreements of this Lease shall not be construed to be a waiver of any subsequent or

other breach of the same or of any other covenant, condition, term, or agreement of this Lease, nor shall failure on the part of either party to require exact full and complete compliance with any of the covenants, conditions, terms, or agreements of this Lease be construed as in any manner changing the terms hereof or estopping that party from enforcing the full provisions hereof, nor shall the terms of this Lease be changed or altered in any manner whatsoever other than by written agreement of County and Lessee. No delay, failure, or omission of County to re-enter the Premises or of either party to exercise any right, power, privilege, or option, arising from any default, nor any subsequent acceptance of rent then or thereafter accrued shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right. No notice to Lessee shall be required to restore or revive "time of the essence" after the waiver by County of any default. Except as specifically provided in this Lease, no option, right, power, remedy, or privilege of either party shall be construed as being exhausted by the exercise thereof in one or more instances.

15.7 Remedies Cumulative. The rights, powers, options, and remedies given County by this agreement shall be cumulative except as otherwise specifically provided for in this Lease.

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises in the case of an Event of Default, or in case of abandonment or vacation of the Premises by Lessee, Lessee hereby irrevocably authorizes County to enter upon the Premises and remove any and all persons and property whatsoever situated upon the Premises and place all or any portion of said property, except such property as may be forfeited to County, in storage for the account of and at the expense of Lessee.

Except to the extent arising out of or caused by the gross negligence or willful misconduct of County, Lessee agrees to indemnify, defend and save harmless County from any cost, expense, loss or damage arising out of or caused by any such entry or re-entry upon the Premises in the case of an Event of Default, including the removal of persons and property and storage of such property by County and its agents.

15.9 Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or delivered to the Department. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

15.10 Service of Written Notice or Process. Any notice required to be sent under this Lease shall be in compliance with and subject to this Section 15.10. If Lessee is not a resident of the State of California, or is an association or partnership without a member or partner resident of said State, or is a foreign corporation, Lessee shall file with Director a designation of a natural person residing in the County of Los Angeles, State of California, or a service company, such as CT Corporation, which is authorized to accept service, giving his or its name, residence, and business address, as the agent of Lessee for the service of process in any court action between Lessee and County, arising out of or based upon this Lease, and the delivery to such agent of written notice or a copy of any process in such action shall constitute a valid service upon Lessee.

If for any reason service of such process upon such agent is not possible, then any officer of Lessee may be personally served with such process outside of the State of California and such service shall constitute valid service upon Lessee; and it is further expressly agreed that Lessee is amenable to such process and submits to the jurisdiction of the court so acquired and waives any and all objection and protest thereto.

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested (or other similar evidence of delivery by overnight delivery service) and postage or other delivery charges prepaid, by registered or certified mail posted in the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the expiration of the third (3rd) business day after such notice is sent from within Los Angeles County in the case of such registered or certified mail as authorized in this Section.

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

As of the date of execution hereof, the persons authorized to receive notice on behalf of County and Lessee are as follows:

COUNTY: Director  
Department of Beaches and Harbors  
Los Angeles County  
13837 Fiji Way  
Marina del Rey, California 90292  
Phone: 310/305-9522  
Fax: 310/821-6345

With a Copy to: Office of County Counsel  
Los Angeles County  
500 West Temple Street  
Los Angeles, California 90012  
Attn: County Counsel  
Phone: 213/974-1801  
Fax: 213/617-7182

LESSEE: Legacy Partners Neptune Marina L.P.  
30 Executive Park, Suite 100



Irvine, California 92614  
Attention: Timothy O'Brien  
Phone: 949/930-7700  
Fax: 949/833-3062

With a Copy to: Cox, Castle & Nicholson LLP  
2029 Century Park East  
Suite 2100  
Los Angeles, California 90067  
Attention: Ira J. Waldman, Esq.  
Phone: 310/284-2244  
Fax: 310/284-2100

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Minimum Rent, Percentage Rent and Supplemental Percentage Rent.

15.12 Captions. The captions contained in this Lease are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Lease.

15.13 Attorneys' Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Lease, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys' fees, including without limitation reasonable attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party, and also including all fees, costs and expenses incurred in executing, perfecting, enforcing and collecting any judgment.

15.14 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease. No amendment, other than one implemented through an arbitration judgment, shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

15.15 Time For Director Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of Director is required, approval shall be deemed not given unless within thirty (30) days after the date of the receipt of the

written request for approval from Lessee, Director either (a) approves such request in writing, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a final date for approval or disapproval by Director (the “Extended Time”) and approves such request in writing prior to such Extended Time. If Director does not approve such request in writing within such Extended Time, the request shall be deemed to be disapproved.

15.16 Time For County Action. Notwithstanding anything to the contrary contained in this Lease, wherever Director determines that a County action required hereunder necessitates approval from or a vote of one or more of County’s boards or commissions or County’s Board of Supervisors, the time period for County performance of such action shall be extended as is reasonably necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.17 Estoppel Certificates. Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case); and (iii) if requested, the amount of the Security Deposit, Annual Minimum Rent, Percentage Rent, Supplemental Percentage Rent and other material economic terms and conditions of this Lease. Prospective purchasers, Major Sublessees and lenders may rely on such statements.

15.18 Indemnity Obligations. Whenever in this Lease there is an obligation to indemnify, hold harmless and/or defend, irrespective of whether or not the obligation so specifies, it shall include the obligation to defend and pay reasonable attorney’s fees, reasonable expert fees and court costs.

15.19 Waterfront Promenade. Lessee shall develop a continuous pedestrian walkway with landscaping, lighting, seating, fencing and other improvements (the “Promenade”) as described in Exhibit D. Lessee shall complete the foregoing work by the Required Construction Completion Date (as such date may be extended as provided in Article 5 above), subject to extension for delays in such completion of the Promenade caused by Force Majeure. No Force Majeure delay shall commence until after Lessee has notified County of the existence of such Force Majeure event. Lessee and Director shall discuss and attempt to agree on the length of any such delay. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee’s claim to such delay, the matter shall be arbitrated as set forth in Article 16. The facilities to be constructed under this Section 15.19 shall be constructed in accordance with the provisions of Article 5. County hereby reserves a public easement for access over and use of the Promenade for fire lane uses, pedestrian purposes and such other related uses (including, if approved by County bicycling, rollerblading and the like) as may be established by the County from time to time, all in accordance with such rules and regulations as are promulgated from time to time by the County regulating such public use. Such public easement shall also include the right to use at least one set of the restrooms marked on Exhibit D for public use. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the Promenade established

by the County from time to time on a nondiscriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Article 5 of this Lease. At the request of either party such legal description shall be recorded in the Official Records of the County as a supplement to this Lease.

15.20 Controlled Prices. Lessee shall at all times maintain a complete list or schedule of the prices charged for all goods or services, or combinations thereof, supplied to the public on or from the Premises, whether the same are supplied by Lessee or by its Sublessees, assignees, concessionaires, permittees or licensees. Said prices shall be fair and reasonable, based upon the following two (2) considerations: first, that the property herein demised is intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost; and second, that Lessee is entitled to a fair and reasonable return upon his investment pursuant to this Lease. In the event that Director notifies Lessee that any of said prices are not fair and reasonable, Lessee shall have the right to confer with Director and to justify said prices. If, after reasonable conference and consultation, Director shall determine that any of said prices are not fair and reasonable, the same shall be modified by Lessee or its Sublessees, assignees, concessionaires, permittees or licensees, as directed. Lessee may appeal the determination of Director to the Board, whose decision shall be final and conclusive. Pending such appeal, the prices fixed by Director shall be the maximum charged by Lessee.

## 16. ARBITRATION.

Except as otherwise provided by this Article 16, disputed matters which may be arbitrated pursuant to this Lease shall be settled by binding arbitration in accordance with the then existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

(a) Either party (the "Initiating Party") may initiate the arbitration process by sending written notice ("Request for Arbitration") to the other party (the "Responding Party") requesting initiation of the arbitration process and setting forth a brief description of the dispute or disputes to be resolved and the contention(s) of the Initiating Party. Within ten (10) days after service of the Request for Arbitration, the Responding Party shall file a "Response" setting forth the Responding Party's description of the dispute and the contention(s) of Responding Party. If Responding Party has any "Additional Disputes" he shall follow the format described for the Initiating Party. The Initiating Party will respond within ten (10) days after service of the Additional Disputes setting forth Initiating Party's description of the Additional Disputes and contentions regarding the Additional Disputes.

(b) Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to this Lease:

16.1 Selection of Arbitrator. The parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the parties are unable to agree upon the arbitrator within ten (10) days of the date the Initiating Party serves a request for arbitration on the Responding Party, then at any time on or after such date either party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

16.2 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes.

16.3 Scope of Arbitration. County and Lessee affirm that the mutual objective of such arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not apply or be used to determine issues other than (i) those presented to the arbitrator by the Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii) Additional Disputes presented to the arbitrator by the Responding Party, provided that any such Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator shall render an award. Either party may, at its sole cost and expense, request a statement of decision explaining the arbitrator's reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party's intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator's award is not issued prior to the expiration of said specified period, the arbitration shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

16.4 Immunity. The parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

16.5 Section 1282.2. The provisions of Code of Civil Procedure § 1282.2 shall apply to the arbitration proceedings except to the extent they are inconsistent with the following:

- (1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said § 1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

(2) No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), the parties shall simultaneously exchange the following documents by personal delivery to each other and to the arbitrator:

(a) a written Statement of Position, as further defined below, setting forth in detail that party's final position regarding the matter in dispute and specific numerical proposal for resolution of monetary disputes;

(b) a list of witnesses each party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness's testimony;

(c) a list of the documents each intends to introduce at the hearing, together with complete and correct copies of all of such documents; and,

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("Reply"). The Reply shall contain the following information:

(a) a written statement, to be limited to that party's rebuttal to the matters set forth in the other party's Statement of Position;

(b) a list of witnesses each party intends to call at the hearing to rebut the evidence to be presented by the other party, designating which witnesses will be called as expert witnesses;

(c) a list of the documents each intends to introduce at the hearing to rebut the evidence to be presented by the other party, together with complete and correct copies of all of such documents (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents);

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence, or written critiques of the other party's Written Appraisal Evidence if any, each intends to introduce at the hearing to rebut the evidence presented by the other party, together with complete and correct copies of all of such Written Appraisal Evidence (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

(e) Witnesses or documents to be used solely for impeachment of a witness need not be identified or produced.

(4) The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

16.6 Statements of Position. The Statement of Position to be delivered by Section 16.5 shall comply with the following requirements:

(1) Where the dispute involves rent to be charged, market values, insurance levels or other monetary amounts, the Statements of Position shall numerically set forth the existing minimum rent, percentage rent, market value, insurance level and/or other monetary amounts in dispute, the party's proposed new minimum rent, percentage rent, market value, insurance level and/or other monetary amounts, and shall additionally set forth the facts supporting such party's position.

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

16.7 Written Appraisal Evidence. Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding Fair Market Rental Value or the fair market value of the Premises, or any portion thereof, ("Written Appraisal Evidence") unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in Marina del Rey and other marina locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the fair market rental value of the Premises as prescribed by Section 4.3.1. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

16.8 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not

have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

16.9 Discovery. The provisions of Code of Civil Procedure § 1283.05 shall not apply to the arbitration proceedings except to the extent incorporated by other sections of the California Arbitration Act which apply to the arbitration proceedings. There shall be no pre-arbitration discovery except as provided in Section 16.5; provided, however, each party shall have the right, no later than seven (7) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other party as an expert witness pursuant to Sections 16.5 (2)(b) or 16.5 (3)(b).

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a “Separate Dispute”). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party’s Statement of Position on one or more of the Separate Disputes, while selecting the other party’s Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.3 and the amount of liability insurance coverage to be renegotiated pursuant to Section 9.3, then there shall be five Separate Disputes and the arbitrator shall be permitted to select the County’s Statement of Position with respect to none, some or all of such five Separate Disputes and select the Lessee’s Statement of Position, on the balance, if any, of such five Separate Disputes. Upon the arbitrator’s selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.10.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.12 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.13 Amendment to Implement Judgment. Within seven (7) days after the issuance of any award by the arbitrator becomes final, the County will draft a proposed amendment to the Lease setting forth the relevant terms of such award. Within seven (7) days after delivery of a copy of the amendment to Lessee, Lessee will sign the amendment (with any revisions to the proposed amendment necessary to accurately reflect the arbitration award) and return the executed copy to the County, which shall thereafter be executed by County as soon as reasonably practicable.

16.14 Impact of Gross Error Allegations. Where either party has charged the arbitrator with Gross Error:

16.14.1 The award shall not be implemented if the party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitration award ("Disqualification Judgment"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.14, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

16.14.2 The party alleging Gross Error shall have the burden of proof.

16.14.3 For the purposes of this Section 16.14, the term "Gross Error" shall mean that the arbitration award is subject to vacation pursuant to California Code of Civil Procedure § 1286.2 or any successor provision.

16.15 Notice.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.



WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO  
SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE  
ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

\_\_\_\_\_  
Initials of Lessee

\_\_\_\_\_  
Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

17.1 Meanings of Words Not Specifically Defined. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1.1, are to be construed according to such technical, peculiar, and appropriate meaning or definition.

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter and the neuter includes the masculine and feminine; the singular number includes the plural and the plural the singular; the word "person" includes a corporation, partnership, limited liability company or similar entity, as well as a natural person.

17.3 Business Days. For the purposes of this Lease, "business day" shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include "Optional Bank Holidays" as defined in Section 7.1 of the California Civil Code.

17.4 Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of their own choosing. This document is the result of combined efforts of both parties and their consultants and attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Lease.

17.5 Governing Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

17.6 Reasonableness Standard. Except where a different standard is specifically provided otherwise herein, whenever the consent of County or Lessee is required under this Lease, such consent shall not be unreasonably withheld and whenever this Lease grants County or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County and Lessee shall act reasonably and in good faith. These provisions shall only apply to County acting in its proprietary capacity.

17.7 Compliance with Code. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Section 25536 of the California Government Code as a result of various provisions contained herein.

17.8 Memorandum of Lease. The parties hereto shall execute and acknowledge a Memorandum of Lease Extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

17.9 Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

IN WITNESS WHEREOF, County has, by order of its Board of Supervisors, caused this Lease to be subscribed by the Chairman of said Board and attested by the Clerk thereof, and Lessee has executed the same the day and year first hereinabove written.

THE COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mayor, Board of Supervisors

LEGACY PARTNERS NEPTUNE MARINA L.P.,  
a Delaware limited partnership

By: Legacy Partners 2598 L.P., a California  
limited partnership, its general partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

ATTEST:

PATRICK OGAWA,  
Acting Executive Officer -- Clerk  
of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM  
Interim County Counsel

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: \_\_\_\_\_

**EXHIBIT A**

**LEGAL DESCRIPTION OF PREMISES**

[To be added]

Subject to the public easement reserved by Lessor in Section 15.19 of this Lease.

**EXHIBIT B**

**DEVELOPMENT PLAN**

**FOR PURPOSE OF THE EXECUTION OF THE OPTION AGREEMENT, THE DEVELOPMENT PLAN SHALL BE THE CONCEPT PLANS AS PRESENTED TO AND APPROVED BY THE LOS ANGELES COUNTY DESIGN CONTROL BOARD AS DCB # 04-014-D AT ITS MEETING OF JANUARY 21, 2015, AS IT RELATES TO PARCEL 14**

**[DRAFTING NOTE: FOR PURPOSES OF THE EXECUTION OF THE OPTION AGREEMENT, THE DEVELOPMENT PLAN FOR THE DEVELOPMENT IS AS DESCRIBED ABOVE. PRIOR TO LEASE EXECUTION, THE FINAL PLANS AND SPECIFICATIONS FOR THE DEVELOPMENT SHALL BE APPROVED AND SECTION 5.1 OF THE LEASE AND THIS EXHIBIT B SHALL BE REVISED TO REPLACE REFERENCES TO THE REFERENCED DEVELOPMENT PLAN WITH REFERENCES TO SUCH FINAL PLANS AND SPECIFICATIONS.]**

## **EXHIBIT C**

### **ASSIGNMENT STANDARDS**

These standards are to apply to Proposed Transfers of Lessee's interest in this Lease and/or the Premises and to any Major Sublease. These standards and conditions are not to apply to (a) an assignment for the purpose of securing leasehold financing of the parcel by an encumbrance holder approved by County, (b) the transfer of the leasehold in connection with a foreclosure or transfer in lieu of foreclosure by an approved lender, or (c) the first transfer by that encumbrance holder if it has acquired the leasehold through a foreclosure or a transfer in lieu of foreclosure.

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least six (6) times the total Annual Rent due to County for the most recent fiscal year). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth or similar security satisfactory to the County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.

2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to the County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All approvals of the County will not be unreasonably withheld or delayed.

3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or own the entity which will so acquire Lessee's interest, irrespective of the tier at which individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of the County.

4. The price to be paid for the Proposed Transfer shall not result in a financing obligation of the proposed transferee which jeopardizes its ability to meet rental obligations to the County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.

5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the assignee must agree that) the County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the Lease as required under the Lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.

7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.

8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.

**EXHIBIT D**

**DESCRIPTION OF PROMENADE**



## **EXHIBIT E**

### **PERMITTED CAPITAL EXPENDITURES**

The purpose of the Capital Reserve Fund is to provide funds for the cost of additions, replacements, renovations or upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the buildings or their major systems in an ordinarily efficient operating condition, but that do not significantly add to their value or appreciably prolong their useful life. The Capital Reserve Fund shall not be used to fund any portion of the cost of the Development Work or the Subsequent Renovation (as defined in Section 5.13 of the Lease). Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee.

Subject to the foregoing, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Reserve Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

1. Painting of the building exterior\*
2. Walkways and driveway replacement\* (if asphalt, a minimum of resurfacing, not slurry seal)
3. Windows replacement\*
4. Roof replacement\* (may be on a building by building basis)
5. Elevators (replacement or addition)
6. HVAC replacement
7. Light fixtures replacement\* (interior and exterior)
8. Irrigation system\* (replacement or major addition)

\* To qualify, these expenditures need to incorporate replacement or renovation of at least 70% of the items or facilities in question

## **EXHIBIT F**

### **APARTMENT GROSS RECEIPTS THRESHOLDS**

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
1	298,300	298,300
2	131,700	430,000
3	156,100	586,100
4	180,600	766,700
5	205,300	972,000
6	230,000	1,202,000
7	255,000	1,457,000
8	280,300	1,737,300
9	305,500	2,042,800
10	330,900	2,373,700
11	356,400	2,730,100
12	382,100	3,112,200
13	407,900	3,520,100
14	442,400	3,962,500
15	443,700	4,406,200
16	445,000	4,851,200
17	446,300	5,297,500
18	447,600	5,745,100
19	448,900	6,194,000
20	450,500	6,644,500
21	451,800	7,096,300
22	453,100	7,549,400
23	454,400	8,003,800
24	455,800	8,459,600
25	457,100	8,916,700
26	458,400	9,375,100
27	459,700	9,834,800
28	461,100	10,295,900
29	462,400	10,758,300
30	463,700	11,222,000
31	465,100	11,687,100
32	466,500	12,153,600
33	467,600	12,621,200
34	468,600	13,089,800
35	469,700	13,559,500
36	470,800	14,030,300
37	471,900	14,502,200
38	473,000	14,975,200
39	474,100	15,449,300
40	475,100	15,924,400
41	476,200	16,400,600

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
42	477,300	16,877,900
43	478,400	17,356,300
44	479,900	17,836,200
45	481,000	18,317,200
46	482,100	18,799,300
47	483,200	19,282,500
48	484,300	19,766,800
49	485,400	20,252,200
50	486,500	20,738,700
51	487,600	21,226,300
52	488,700	21,715,000
53	489,800	22,204,800
54	491,000	22,695,800
55	492,100	23,187,900
56	493,600	23,681,500
57	494,800	24,176,300
58	495,900	24,672,200
59	497,000	25,169,200
60	498,200	25,667,400
61	499,300	26,166,700
62	500,400	26,667,100
63	501,600	27,168,700
64	502,700	27,671,400
65	503,900	28,175,300
66	505,000	28,680,300
67	506,200	29,186,500
68	507,800	29,694,300
69	508,900	30,203,200
70	510,100	30,713,300
71	511,200	31,224,500
72	512,400	31,736,900
73	513,600	32,250,500
74	514,800	32,765,300
75	516,000	33,281,300
76	517,100	33,798,400
77	518,300	34,316,700
78	519,500	34,836,200
79	520,700	35,356,900
80	522,300	35,879,200
81	523,500	36,402,700
82	524,700	36,927,400

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
83	525,900	37,453,300
84	527,100	37,980,400
85	528,300	38,508,700
86	529,500	39,038,200
87	530,700	39,568,900
88	531,900	40,100,800
89	533,100	40,633,900
90	534,400	41,168,300
91	535,600	41,703,900
92	537,300	42,241,200
93	538,500	42,779,700
94	539,700	43,319,400
95	541,000	43,860,400
96	542,200	44,402,600
97	543,400	44,946,000
98	544,700	45,490,700
99	545,900	46,036,600
100	547,200	46,583,800
101	548,400	47,132,200
102	549,700	47,681,900
103	550,900	48,232,800
104	552,600	48,785,400
105	553,900	49,339,300
106	555,200	49,894,500
107	556,400	50,450,900
108	557,700	51,008,600
109	559,000	51,567,600
110	560,300	52,127,900
111	561,500	52,689,400
112	562,800	53,252,200
113	564,100	53,816,300
114	565,400	54,381,700
115	566,700	54,948,400
116	568,500	55,516,900
117	569,800	56,086,700
118	571,100	56,657,800
119	572,400	57,230,200
120	573,700	57,803,900
121	575,000	58,378,900
122	576,300	58,955,200
123	577,600	59,532,800

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
124	578,900	60,111,700
125	580,300	60,692,000
126	581,600	61,273,600
127	582,900	61,856,500
128	584,700	62,441,200
129	586,100	63,027,300
130	587,400	63,614,700
131	588,800	64,203,500
132	590,100	64,793,600
133	591,500	65,385,100
134	592,800	65,977,900
135	594,200	66,572,100
136	595,500	67,167,600
137	596,900	67,764,500
138	598,300	68,362,800
139	599,700	68,962,500
140	601,100	69,563,600
141	602,500	70,166,100
142	603,900	70,770,000
143	605,300	71,375,300
144	606,700	71,982,000
145	608,200	72,590,200
146	609,600	73,199,800
147	611,000	73,810,800
148	612,500	74,423,300
149	613,900	75,037,200
150	615,300	75,652,500
151	616,800	76,269,300
152	618,200	76,887,500
153	619,700	77,507,200
154	621,100	78,128,300
155	622,600	78,750,900
156	624,000	79,374,900
157	625,500	80,000,400
158	626,900	80,627,300
159	628,400	81,255,700
160	629,900	81,885,600
161	631,400	82,517,000
162	632,800	83,149,800
163	634,300	83,784,100
164	635,800	84,419,900

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
165	637,300	85,057,200
166	638,800	85,696,000
167	640,300	86,336,300
168	641,800	86,978,100
169	643,300	87,621,400
170	644,800	88,266,200
171	646,300	88,912,500
172	647,800	89,560,300
173	649,300	90,209,600
174	650,800	90,860,400
175	652,400	91,512,800
176	653,900	92,166,700
177	655,400	92,822,100
178	657,000	93,479,100
179	658,500	94,137,600
180	660,000	94,797,600
181	661,600	95,459,200
182	663,100	96,122,300
183	664,700	96,787,000
184	666,200	97,453,200
185	667,800	98,121,000
186	669,400	98,790,400
187	670,900	99,461,300
188	672,500	100,133,800
189	674,100	100,807,900
190	675,700	101,483,600
191	677,300	102,160,900
192	678,800	102,839,700
193	680,400	103,520,100
194	682,000	104,202,100
195	683,600	104,885,700
196	685,200	105,570,900
197	686,800	106,257,700
198	688,400	106,946,100
199	690,000	107,636,100
200	691,700	108,327,800
201	693,300	109,021,100
202	694,900	109,716,000
203	696,500	110,412,500
204	698,100	111,110,600
205	699,800	111,810,400

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
206	701,400	112,511,800
207	703,100	113,214,900
208	704,700	113,919,600
209	706,400	114,626,000
210	708,000	115,334,000
211	709,700	116,043,700
212	711,300	116,755,000
213	713,000	117,468,000
214	714,700	118,182,700
215	716,400	118,899,100
216	718,000	119,617,100
217	719,700	120,336,800
218	721,400	121,058,200
219	723,100	121,781,300
220	724,800	122,506,100
221	726,500	123,232,600
222	728,200	123,960,800
223	729,900	124,690,700
224	731,600	125,422,300
225	733,300	126,155,600
226	735,000	126,890,600
227	736,700	127,627,300
228	738,500	128,365,800
229	740,200	129,106,000
230	741,900	129,847,900
231	743,700	130,591,600
232	745,400	131,337,000
233	747,100	132,084,100
234	748,900	132,833,000
235	750,600	133,583,600
236	752,400	134,336,000
237	754,200	135,090,200
238	755,900	135,846,100
239	757,700	136,603,800
240	759,500	137,363,300
241	761,300	138,124,600
242	763,000	138,887,600
243	764,800	139,652,400
244	766,600	140,419,000
245	768,400	141,187,400
246	770,200	141,957,600

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
247	772,000	142,729,600
248	773,800	143,503,400
249	775,600	144,279,000
250	777,400	145,056,400
251	779,300	145,835,700
252	781,100	146,616,800
253	782,900	147,399,700
254	784,800	148,184,500
255	786,600	148,971,100
256	788,400	149,759,500
257	790,300	150,549,800
258	792,100	151,341,900
259	794,000	152,135,900
260	795,800	152,931,700
261	797,700	153,729,400
262	799,600	154,529,000
263	801,400	155,330,400
264	803,300	156,133,700
265	805,200	156,938,900
266	807,100	157,746,000
267	809,000	158,555,000
268	810,900	159,365,900
269	812,800	160,178,700
270	814,700	160,993,400
271	816,600	161,810,000
272	818,500	162,628,500
273	820,400	163,448,900
274	822,300	164,271,200
275	824,300	165,095,500
276	826,200	165,921,700
277	828,100	166,749,800
278	830,100	167,579,900
279	832,000	168,411,900
280	833,900	169,245,800
281	835,900	170,081,700
282	837,900	170,919,600
283	839,800	171,759,400
284	841,800	172,601,200
285	843,800	173,445,000
286	845,700	174,290,700
287	847,700	175,138,400



**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
288	849,700	175,988,100
289	851,700	176,839,800
290	853,700	177,693,500
291	855,700	178,549,200
292	857,700	179,406,900
293	859,700	180,266,600
294	861,700	181,128,300
295	863,700	181,992,000
296	865,800	182,857,800
297	867,800	183,725,600
298	869,800	184,595,400
299	871,800	185,467,200
300	873,900	186,341,100
301	875,900	187,217,000
302	878,000	188,095,000
303	880,000	188,975,000
304	882,100	189,857,100
305	884,200	190,741,300
306	886,200	191,627,500
307	888,300	192,515,800
308	890,400	193,406,200
309	892,500	194,298,700
310	894,600	195,193,300
311	896,700	196,090,000
312	898,800	196,988,800
313	900,900	197,889,700
314	903,000	198,792,700
315	905,100	199,697,800
316	907,200	200,605,000
317	909,300	201,514,300
318	911,500	202,425,800
319	913,600	203,339,400
320	915,700	204,255,100
321	917,900	205,173,000
322	920,000	206,093,000
323	922,200	207,015,200
324	924,300	207,939,500
325	926,500	208,866,000
326	928,700	209,794,700
327	930,800	210,725,500
328	933,000	211,658,500

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
329	935,200	212,593,700
330	937,400	213,531,100
331	939,600	214,470,700
332	941,800	215,412,500
333	944,000	216,356,500
334	946,200	217,302,700
335	948,400	218,251,100
336	950,600	219,201,700
337	952,900	220,154,600
338	955,100	221,109,700
339	957,300	222,067,000
340	959,600	223,026,600
341	961,800	223,988,400
342	964,100	224,952,500
343	966,300	225,918,800
344	968,600	226,887,400
345	970,900	227,858,300
346	973,100	228,831,400
347	975,400	229,806,800
348	977,700	230,784,500
349	980,000	231,764,500
350	982,300	232,746,800
351	984,600	233,731,400
352	986,900	234,718,300
353	989,200	235,707,500
354	991,500	236,699,000
355	993,800	237,692,800
356	996,200	238,689,000
357	998,500	239,687,500
358	1,000,800	240,688,300
359	1,003,200	241,691,500
360	1,005,500	242,697,000
361	1,007,900	243,704,900
362	1,010,200	244,715,100
363	1,012,600	245,727,700
364	1,015,000	246,742,700
365	1,017,400	247,760,100
366	1,019,700	248,779,800
367	1,022,100	249,801,900
368	1,024,500	250,826,400
369	1,026,900	251,853,300

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
370	1,029,300	252,882,600
371	1,031,700	253,914,300
372	1,034,200	254,948,500
373	1,036,600	255,985,100
374	1,039,000	257,024,100
375	1,041,400	258,065,500
376	1,043,900	259,109,400
377	1,046,300	260,155,700
378	1,048,800	261,204,500
379	1,051,200	262,255,700
380	1,053,700	263,309,400
381	1,056,200	264,365,600
382	1,058,600	265,424,200
383	1,061,100	266,485,300
384	1,063,600	267,548,900
385	1,066,100	268,615,000
386	1,068,600	269,683,600
387	1,071,100	270,754,700
388	1,073,600	271,828,300
389	1,076,100	272,904,400
390	1,078,600	273,983,000
391	1,081,100	275,064,100
392	1,083,700	276,147,800
393	1,086,200	277,234,000
394	1,088,700	278,322,700
395	1,091,300	279,414,000
396	1,093,800	280,507,800
397	1,096,400	281,604,200
398	1,099,000	282,703,200
399	1,101,600	283,804,800
400	1,104,100	284,908,900
401	1,106,700	286,015,600
402	1,109,300	287,124,900
403	1,111,900	288,236,800
404	1,114,500	289,351,300
405	1,117,100	290,468,400
406	1,119,700	291,588,100
407	1,122,400	292,710,500
408	1,125,000	293,835,500
409	1,127,600	294,963,100
410	1,130,300	296,093,400

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
411	1,132,900	297,226,300
412	1,135,600	298,361,900
413	1,138,200	299,500,100
414	1,140,900	300,641,000
415	1,143,500	301,784,500
416	1,146,200	302,930,700
417	1,148,900	304,079,600
418	1,151,600	305,231,200
419	1,154,300	306,385,500
420	1,157,000	307,542,500
421	1,159,700	308,702,200
422	1,162,400	309,864,600
423	1,165,200	311,029,800
424	1,167,900	312,197,700
425	1,170,600	313,368,300
426	1,173,400	314,541,700
427	1,176,100	315,717,800
428	1,178,800	316,896,600
429	1,181,600	318,078,200
430	1,184,400	319,262,600
431	1,187,200	320,449,800
432	1,189,900	321,639,700
433	1,192,700	322,832,400
434	1,195,500	324,027,900
435	1,198,300	325,226,200
436	1,201,100	326,427,300
437	1,203,900	327,631,200
438	1,206,800	328,838,000
439	1,209,600	330,047,600
440	1,212,400	331,260,000
441	1,215,200	332,475,200
442	1,218,100	333,693,300
443	1,220,900	334,914,200
444	1,223,800	336,138,000
445	1,226,700	337,364,700
446	1,229,500	338,594,200
447	1,232,400	339,826,600
448	1,235,300	341,061,900
449	1,238,200	342,300,100
450	1,241,100	343,541,200
451	1,244,000	344,785,200

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
452	1,246,900	346,032,100
453	1,249,800	347,281,900
454	1,252,800	348,534,700
455	1,255,700	349,790,400
456	1,258,600	351,049,000
457	1,261,600	352,310,600
458	1,264,500	353,575,100
459	1,267,500	354,842,600
460	1,270,500	356,113,100
461	1,273,400	357,386,500
462	1,276,400	358,662,900
463	1,279,400	359,942,300
464	1,282,400	361,224,700
465	1,285,400	362,510,100
466	1,288,400	363,798,500
467	1,291,400	365,089,900
468	1,294,400	366,384,300
469	1,297,500	367,681,800
470	1,300,500	368,982,300
471	1,303,600	370,285,900
472	1,306,600	371,592,500
473	1,309,700	372,902,200
474	1,312,700	374,214,900
475	1,315,800	375,530,700
476	1,318,900	376,849,600
477	1,322,000	378,171,600
478	1,325,100	379,496,700
479	1,328,200	380,824,900
480	1,331,300	382,156,200
481	1,334,400	383,490,600
482	1,337,500	384,828,100
483	1,340,700	386,168,800
484	1,343,800	387,512,600
485	1,347,000	388,859,600
486	1,350,100	390,209,700
487	1,353,300	391,563,000
488	1,356,400	392,919,400
489	1,359,600	394,279,000
490	1,362,800	395,641,800
491	1,366,000	397,007,800
492	1,369,200	398,377,000

**Apartment Revenue Participation (FF)**  
Threshold Amounts

Month (following the end of construction)	Apartment Gross Receipts Threshold	Cumulative Apartment Gross Receipts Threshold
493	1,372,400	399,749,400
494	1,375,600	401,125,000
495	1,378,800	402,503,800
496	1,382,000	403,885,800
497	1,385,300	405,271,100
498	1,388,500	406,659,600
499	1,391,800	408,051,400
500	1,395,000	409,446,400
501	1,398,300	410,844,700
502	1,401,600	412,246,300
503	1,404,900	413,651,200
504	1,408,100	415,059,300
505	1,411,400	416,470,700
506	1,414,700	417,885,400
507	1,418,100	419,303,500
508	1,421,400	420,724,900
509	1,424,700	422,149,600
510	1,428,000	423,577,600
511	1,431,400	425,009,000
512	1,434,700	426,443,700
513	1,438,100	427,881,800
514	1,441,500	429,323,300
515	1,444,800	430,768,100
516	1,448,200	432,216,300
517	1,451,600	433,667,900
518	1,455,000	435,122,900
519	1,458,400	436,581,300
520	1,461,800	438,043,100
521	1,465,300	439,508,400
522	1,468,700	440,977,100
523	1,472,100	442,449,200



Caring for Your Coast

**Gary Jones**  
Director

**Kerry Silverstrom**  
Chief Deputy

**John Kelly**  
Deputy Director

**Brock Ladewig**  
Deputy Director

September 21, 2016

TO: Small Craft Harbor Commission

FROM:  Gary Jones, Director

**SUBJECT: ITEM 2b - APPROVAL OF OPTION AGREEMENT TO LEASE TO FACILITATE REDEVELOPMENT- PARCEL 52/GG (BOAT CENTRAL) – MARINA DEL REY**

Item 2b on your agenda pertains to a request for the Board of Supervisors to approve an option agreement to enter into a 60-year lease with lessee MDR Boat Central, L.P, (Boat Central), to facilitate redevelopment of a boat storage facility in Marina del Rey. A vertical storage method will be utilized to allow the "stacking" of boats, greatly reducing the land area traditionally needed for boat storage. In conjunction with the request to grant the option, the Department is requesting that the Board approve and authorize the Chair to sign the Amended and Restated Lease Agreement for Parcel 52 upon Boat Central's fulfillment of the conditions of the options.

Your Commission's endorsement of the recommendations in the attached draft Board Letter is requested. Staff will inform your Commission should there be any material change made to this draft prior to submitting it to the Board for approval.

The recommended actions will further implement the County policies that facilitate the proactive redevelopment of the parcels, which supports the County's strategy to achieve fiscal sustainability (Strategic Plan Goal No. 1, Strategy No.1).

GJ:BL:dlg

Attachments



October \_\_\_\_, 2016

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 OPTION AGREEMENT TO LEASE TO FACILITATE  
REDEVELOPMENT – PARCEL 52 (FORMERLY PARCELS 52R & GG) (BOAT  
CENTRAL) - MARINA DEL REY  
(4th DISTRICT)  
(4 VOTES)**

**SUBJECT**

Request for approval of an option agreement to enter into a 60-year lease with proposed lessee MDR Boat Central, L.P (Boat Central), to enable the development of a boat storage facility in Marina del Rey, utilizing a vertical storage method to allow the “stacking” of boats that would greatly reduce the land area needed for boat storage, with Boat Central’s exercise of the proposed option to be contingent upon its receipt of entitlements and fulfillment of other conditions required therein.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and authorize the Chair to sign the attached Option to Lease Agreement granting to MDR Boat Central, L.P., a California limited partnership, upon fulfillment of stated conditions, the right to lease Parcel 52 in Marina del Rey for 60 years.
2. Approve and authorize the Chair to sign: (a) the Amended and Restated Lease Agreement for Parcel 52 in substantially similar form as “Exhibit A” attached to the Option to Lease Agreement for Parcel 52, upon confirmation by the Director of the Department of Beaches and Harbors (Director) that Boat Central has fulfilled the conditions set forth in the option agreement; and



(b) a Memorandum of Lease as referenced in the Amended and Restated Lease Agreement for Parcel 52, and approved as to form by the Los Angeles County Counsel and the County's outside counsel.

3. Authorize the Director of the Department of Beaches and Harbors to execute and deliver such other ancillary documentation, including without limitation a lender estoppel certificate for Parcel 52, as may be required in order to consummate the transactions contemplated hereby.

### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On May 22, 2007, your Board granted MDR Boat Central, L.P., a California limited partnership (Boat Central) an option to lease and develop Marina del Rey Parcels 52R and GG. The proposed project would increase the number of boat storage spaces in Marina del Rey by utilizing a vertical storage method to allow the "stacking" of boats that would greatly reduce the land area needed for boat storage. The intent of the proposed project was two-fold: (1) to accommodate the number and types of boats dry-stored on the Parcel 77 surface storage lot; and (2) to provide significant additional capacity for boats currently in wet slips or kept outside of the Marina.

Although Boat Central diligently pursued the entitlements for the proposed project, it was unable to acquire such entitlements by the original expiration of the Option Agreement (November 22, 2009). Intervening court decisions restricted the County from entering into a new option agreement prior to the project's full compliance with the California Environmental Quality Act (CEQA), including certification of an Environmental Impact Report (EIR). By agreement dated November 10, 2009, your Board granted an extension of up to 36 months for Boat Central to complete the CEQA process and negotiate a new option agreement and a lease agreement with the County. Your Board subsequently approved additional extensions through May 20, 2013. The County agreed to negotiate exclusively with Boat Central during the term of those extension periods regarding the subject premises and the project.

On April 24, 2013, the Regional Planning Commission (RPC) held a hearing to consider both the project's EIR and the landside entitlements. At that hearing, the RPC approved the landside entitlements, and certified the EIR. Boat Central subsequently requested and received an additional extension of time to negotiate the terms of a new option agreement and lease agreement. On May 24, 2013, your Board granted Boat Central a 6-month extension to allow Boat Central and the County more time to negotiate a new option agreement and lease agreement. The last extension has lapsed.

Due to a protracted review of Boat Central's Section 404 Permit by the Army Corps of Engineers, a final 404 Permit was not approved until August 23, 2016, at which time

Boat Central immediately asked the County for a new grant of option to lease and develop Parcel 52 (formerly Parcels 52 and GG).

The current scope of the project is substantially similar to the one submitted to your Board when the first Option Agreement was granted in 2009. The major changes in the terms of the proposed option and lease agreements involve a refinement of the logistics and timing for the construction of the project, and the County's right to receive compensation if Boat Central relinquishes its boat slips prior to the 10th year of the lease term.

### Development

- 1) Construction of a new six-level, 70-foot-tall dry-stack boat storage facility (the height at the perimeter will rise to 82 feet by adding a canopy over the central gantry crane). The structure will contain 345 berths on a 47,100 square-foot ground footprint (35,500 square feet landside, and 11,600 square feet waterside), with two to four launch/retrieval elevator lifts that will interface with a gantry crane at the seawall to access the water surface.
- 2) On-site parking for 134 vehicles, and 30 mast-up boat storage spaces with a 5-ton jib crane to service launch/retrieval for the mast-up storage area as well as the County's docks.
- 3) Construction of a 3,070 square-foot, mixed-use, two-story (24 feet) building to accommodate a customer lounge and Boat Central's offices, as well as a new 3,265 square-foot County storage/maintenance facility with a 2,175 square-foot fenced yard for the County's exclusive use.
- 4) Construction of waterside queuing docks, not to exceed 6,738 square feet, for the embarkation of dry-stack vessels, and maintenance of the existing docks (approximately 2,100 square feet) for County vessels. The lease requires Boat Central to replace the existing County docks twice; the first time no later than 10 years after the commencement of the lease, and the second time between 30 years and 40 years after completion of construction.
- 5) Creation of a public waterfront view park with amenities covering 1,560 square feet, with an additional landscape feature consisting of at least 10% of the net lot area.
- 6) Construction of a public promenade.

### Option and Lease Terms

- 1) Option: 24 months from grant of option, plus two 6-month extensions (\$25,000 fee for the first extension and a \$30,000 fee for the second extension).
- 2) Option Fee: \$100,000 for the 24-month option.
- 3) Lease Term: 60 years.

- 4) Outside Completion-of-Construction Date: 24 months after execution of the Lease.
- 5) Capital Improvement Fund: Starting the month after the fourth anniversary of the Completion of Construction Date, and continuing throughout the lease term, Lessee shall make a monthly deposit to a Capital Improvement Fund in an amount equal to one and one-half percent (1.5%) of total Gross Receipts.
- 6) Total Development Costs: Not less than \$10 million (2015 US Dollars).
- 7) Minimum Rent:
  - a. Construction Period: \$75,000 per year.
  - b. Post Construction Period:
    - i. Year 1: \$ 75,000;
    - ii. Year 2: \$150,000;
    - iii. Year 3: \$250,000.
  - c. Thereafter, a minimum rent adjustment every 3 years to 75% of the average rent for the prior 3 years.
- 8) Percentage Rent: Standard Marina del Rey percentage rents, except that percentage rent for dry stack storage (20% standard) is reduced to 16% for Post-Construction Years 1, 2, and 3, if certain occupancy levels are not met.
- 9) Pay-out of Sheriff's Docks: County may require Boat Central to pay County \$427,900 if County elects to terminate its rights to the Sheriff's docks prior to Boat Central's requirement to replace the docks.

The Department has obtained an appraisal confirming that the returns to the County from the proposed Parcel 52 Amended and Restated Lease are equivalent to, or greater than, fair market value.

### Regulatory Process

As a condition to the exercise of the Option, Boat Central must obtain all discretionary planning and zoning land use entitlements and approvals required to be obtained from governmental authorities (including the County and the California Coastal Commission). Once Boat Central obtains final-design approval from the Marina del Rey Design Control Board (DCB), that condition will be fully satisfied; all other approvals and entitlements have been obtained.

On March 15, 2007, Boat Central's preliminary design concept was heard by the DCB. The item was continued to the May 31, 2007, meeting, where the DCB, in its advisory capacity, unanimously rejected the design. Since DCB's recommendation, at that stage, was only advisory and non-binding, Boat Central decided to seek review from the Department of Regional Planning. On April 24, 2013, the RPC reviewed and approved the Coastal Development Permit and related entitlements.

Boat Central must return to the DCB for approval of the project's final design. Unlike DCB's advisory capacity in reviewing conceptual designs, it has regulatory authority in

approving a final design. The DCB has jurisdiction to approve or reject architectural design (i.e., building and façade design, materials, and colors), landscaping, and signage, based on the site plan approved by the RPC. Boat Central plans to submit its final design to the DCB as soon as possible after your Board grants the proposed option.

#### Implementation of Strategic Plan Goals

The recommended actions will continue implementation of the County policies that have facilitated proactive redevelopment of the parcel, which assists the County to achieve fiscal sustainability (Strategic Plan Goal No. 1, Strategy No.1).

#### **FISCAL IMPACT/FINANCING**

##### Operating Budget Impact

Upon your Board's approval of the proposed extension agreement, the Department's Marina operating budget will receive a one-time \$100,000 payment as stated above. The payment was not included in the Department's 2016-17 budget; therefore, it will be accounted for as over-realized revenue.

Costs of consultants and for the Department's Deputy Director and Asset Management Division Chief involved in the negotiation and development of the Option Agreement and the Lease Agreement are being reimbursed by Boat Central.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The original option for Parcels 52R and GG (which has since been combined and is now called Parcel 52) commenced on May 22, 2007 for an initial term of eighteen months which was subsequently extended for two additional 6-month periods to November 22, 2009. County granted three subsequent extensions to allow Boat Central to obtain its entitlements and to negotiate a new option agreement and lease agreement with County. The proposed Option Agreement would provide Boat Central 24 months to exercise its Option.

Parcel 52 has frontage on Fiji Way between launch ramp (Parcel 49) and The Boat Yard (Parcel 53) and is currently undeveloped. The planned development would increase the number of boat storage spaces in Marina del Rey by utilizing a vertical storage method to allow the "stacking" of boats that would greatly reduce the land area needed for boat storage: (1) to accommodate the number and types of boats dry-stored on the Parcel 77 surface storage lot; and (2) to provide significant additional capacity for boats currently in wet slips or kept outside of the Marina.

Approval of the Option Agreement is without prejudice to the County's full exercise of its regulatory authority in the consideration of the land use entitlements required for the possible exercise of the Option.

Entering into leases of the County's Marina del Rey real property is authorized by Government Code sections 25907 and 25536. The lease terms are in conformance with the maximum 99-year period authorized by California law.

At its meeting of September 21, 2016, the Small Craft Harbor Commission \_\_\_\_ the recommendations to approve the Option and the new Lease for Parcel 52 in the form attached. County Counsel has approved the documents as to form.

### **ENVIRONMENTAL DOCUMENTATION**

An Environmental Impact Report (EIR) was prepared for the project in accordance with the California Environmental Quality Act (Code Section 21000, et seq.), the State CEQA Guidelines, and the County's Environmental Document Reporting Procedures and Guidelines. The Regional Planning Commission certified that EIR, and approved the Statement of Overriding Considerations and Mitigation Monitoring Program (MMP) on April 24, 2013. The RPC's certification of the Final project EIR was not appealed to your Board. The recommended action is within the scope of the project in the previously certified EIR.

Upon your Board's approval of the project, staff will file a Notice of Determination with the County Clerk in accordance with Section 21152(a) of the California Public Resources Code.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There is no impact on other current services or projects.

### **CONCLUSION**

It is requested that the Executive Officer, Board of Supervisors send two original copies of the executed Option Agreement and an adopted Board letter to the Department of Beaches and Harbors. Should you have any questions please contact Don Geisinger at (310) 305-9506 or [dgeisinger@bh.lacounty.gov](mailto:dgeisinger@bh.lacounty.gov).

Respectfully submitted,

The Honorable Board of Supervisors  
October \_\_, 2016  
Page 7

Gary Jones, Director

GJ:BL:dlg  
Attachment

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

**OPTION AGREEMENT REGARDING LEASEHOLD INTEREST  
(Parcel 52)**

THIS OPTION AGREEMENT REGARDING LEASEHOLD INTEREST (Parcel 52) (“**Agreement**”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 2016, by and between the COUNTY OF LOS ANGELES (“**County**”) and MDR BOAT CENTRAL, L.P., a California limited partnership (“**Optionee**”).

**R E C I T A L S**

A. County owns fee title to certain real property in Marina del Rey commonly known as modified Parcel 52, as more particularly described on Exhibit A attached hereto (the “**Premises**”).

B. County and Optionee previously were parties to a Lease Option Agreement (Parcels 52R and GG) dated as of May 22, 2007, as extended and modified by that certain Extension of and Modification to Lease Option Agreement dated as of November 10, 2009, that certain Second Extension of and Modification to Lease Option Agreement dated as of November 10, 2012, that certain Third Extension of and Modification to Lease Option Agreement dated as of May 14, 2013 and that certain Fourth Extension of and Modification to Lease Option Agreement dated as of December 3, 2013 (collectively, the “**Prior Agreement**”).

C. Pursuant to the terms of the of the Prior Agreement, County and Optionee engaged in negotiations to enter into a new option agreement for the grant to Optionee of an option to lease the Premises from County. The Prior Agreement has terminated, but County and Optionee have continued discussions to reach agreement on the terms and conditions for a new option agreement.

D. As a condition to the agreement for the grant of such new option, (i) County has certified and issued the required environmental findings with respect to the project that is the subject of the option to lease described herein (the “**Project**”) based on a final environmental impact report, and other applicable documentation, including consideration of environmental impacts, the feasibility of mitigation measures, and the consideration of project alternatives (including no development) in accordance with the requirements of the California Environmental Quality Act (California Resources Code Sections 21000 *et seq.*) (“**CEQA**”); and (ii) County has issued a statement of overriding considerations, if applicable.

E. County and Optionee desire to enter into this Agreement pursuant to which County grants to Optionee an option to lease the Premises from County on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Optionee agree as follows:

**1. Definitions.** In addition to any other capitalized terms defined elsewhere in this Agreement, the following initial-capitalized terms used in this Agreement shall be defined as follows:

- 1.1 “**Agreement**” means this Option Agreement Regarding Leasehold Interest (Parcel 52).
- 1.2 “**County**” means the County of Los Angeles.
- 1.3 “**County Sublease**” has the meaning set forth in Section 17.10 of the Lease.
- 1.4 “**Department**” means the Department of Beaches and Harbors of Los Angeles County.
- 1.5 “**Director**” means the Director of the Department of Beaches and Harbors of Los Angeles County.
- 1.6 “**Development Plan**” means the development plan for the Premises attached as Exhibit B to the Lease.
- 1.7 “**Development Work**” has the meaning given such term in the definition of the Option.
- 1.8 “**Entitlements**” has the meaning given such term in Section 4.1 of this Agreement.
- 1.9 “**Entitlements Condition**” has the meaning given such term in Section 4.1 of this Agreement.
- 1.10 “**Lease**” means a Lease Agreement in substantially the form attached to this Agreement as Exhibit B to be executed and delivered by County and Optionee in accordance with the terms and provisions of this Agreement in connection with Optionee’s exercise of the Option.
- 1.11 “**Memorandum of Lease**” has the meaning given such term in Section 5.2 of this Agreement.
- 1.12 “**Option**” means an option in favor of Optionee for the lease of the Premises and the development of the Premises in accordance with the Development Plan (the “**Development Work**”). The Option shall be effectuated pursuant to, and in accordance with the terms and provisions of, the Lease.
- 1.13 “**Option Closing**” means the execution and delivery by Optionee and County of the Option Closing Documents and the recordation in the Official Records of Los Angeles County, California of each recordable Option Closing Document.
- 1.14 “**Option Closing Documents**” has the meaning given such term in Section 5.2 of this Agreement.
- 1.15 “**Option Conditions**” has the meaning given such term in Section 4 of this Agreement.



1.16 “**Option Conditions Satisfaction**” has the meaning given such term in Section 3 of this Agreement.

1.17 “**Option Exercise Notice**” has the meaning given such term in Section 5.1 of this Agreement.

1.18 “**Option Expiration Date**” has the meaning given such term in Section 3 of this Agreement.

1.19 “**Option Extension**” has the meaning given such term in Section 3 of this Agreement.

1.20 “**Option Extension Fee**” has the meaning given such term in Section 3 of this Agreement.

1.21 “**Option Fee**” has the meaning given such term in Section 6 of this Agreement.

1.22 “**Option Term**” has the meaning given such term in Section 3 of this Agreement.

1.23 “**Optionee**” has the meaning set forth in the first paragraph of this Agreement.

1.24 “**Optionee Breach**” has the meaning given such term in Section 11.12 of this Agreement.

1.25 “**Optionee Default**” has the meaning given such term in Section 11.12 of this Agreement.

1.26 “**Premises Delivery Obligations**” has the meaning given such term in Section 7.3 of this Agreement.

1.27 “**Project Financing**” means a construction loan from an institutional lender or lenders, at an interest rate or rates and on other terms that are commercially reasonable, in amounts that when combined with the equity of Optionee is reasonably expected to provide sufficient funds to complete Development Work, as approved by Director in accordance with the terms and provisions of Section 12.1 of the Lease.

1.28 “**Project Financing Condition**” has the meaning given such term in Section 4.2 of this Agreement.

1.29 “**Unreasonable County Activity**” has the meaning given such term in Section 7.2 of this Agreement.

**2. Grant of Option.** County hereby grants to Optionee the Option, upon and subject to the terms, conditions and other provisions of this Agreement.

**3. Term of Option.** The term of the Option under this Agreement (the “**Option Term**”) shall commence on the date of this Agreement and expire on Option Expiration Date (as defined below); provided that the Option cannot be exercised until the occurrence of the Option Conditions Satisfaction. For purposes hereof, the “**Option Conditions Satisfaction**” shall mean the satisfaction of all of the Option Conditions set forth in Section 4 of this Agreement.

The “**Option Expiration Date**” shall initially be twenty four (24) months after the date of this Agreement.

If the Option Conditions Satisfaction has not occurred by the Option Expiration Date as a result of Unreasonable County Activity, then the Option Expiration Date shall be delayed by the period of delay in the occurrence of the Option Conditions Satisfaction due to Unreasonable County Activity. In addition, if the Option Conditions Satisfaction has not occurred by the Option Expiration Date (as extended, if applicable) because the Entitlements Condition cannot be satisfied until the completion by County of all or portions of the Premises Delivery Obligations, then the Option Expiration Date shall be extended until sixty (60) days after the date of County’s completion of the those Premises Delivery Obligations required for satisfaction of the Entitlements Condition.

In addition to the immediately preceding paragraph, Optionee shall have the right to extend the Option Expiration Date for up to the following two (2) periods (each, an “**Option Extension**”) upon delivery by Optionee to County, not later than one (1) month prior to the Option Expiration Date that is then in effect prior to such Option Extension, of both written notice by Optionee to County of the exercise of such Option Extension and the payment by Optionee to County of the applicable “**Option Extension Fee**” set forth below for such Option Extension:

(a) a six (6) month extension upon payment of an Option Extension Fee of Twenty-Five Thousand Dollars (\$25,000); and

(b) one additional six (6) month extension upon payment of an additional Option Extension Fee of Thirty Thousand Dollars (\$30,000).

The Option Extension Fees shall be non-refundable, and are in addition to the Option Fee.

Notwithstanding the foregoing, Optionee shall have no right to extend the Option Expiration Date pursuant to this Section 3 at any time during which there is an uncured Optionee Default under this Agreement. Time is of the essence with respect to the exercise by Optionee of any right to extend the Option Expiration Date pursuant to this Section 3.

If the Option Conditions Satisfaction has not occurred by the Option Expiration Date (after such Option Expiration Date has been extended for all extensions set forth above in this Section 3) and such failure results from the non-satisfaction of the Entitlements Condition, then if Optionee’s inability to satisfy the Entitlements Condition is caused by (i) a moratorium, temporary restraining order, injunction or other court order which prohibits the issuance of the Entitlements for the Development Work and all other similar marina replacement projects in Marina del Rey on water area leased from the County, or (ii) after the issuance of the

Entitlements, the continued pendency of an appeal, proceeding or litigation (including all appeals of such litigation) brought by a third party unaffiliated with Optionee that contests the issuance of the Entitlements, then as long as there is not a Optionee Default under this Agreement, the Option Expiration Date shall be extended until one hundred twenty (120) days following the cessation of such moratorium, temporary restraining order, injunction or other court order, or the denial, dismissal or other resolution in favor of the issuance of the Entitlements, of such appeal, proceeding or litigation that contested the issuance of the Entitlements, as applicable; provided, however, that the Option Expiration Date shall in no event be extended pursuant to this paragraph beyond the fifth (5th) anniversary of the date of this Agreement.

**4. Option Conditions.** In addition to any other requirements for exercise of the Option set forth in this Agreement, the exercise of the Option shall be subject to the satisfaction of the following conditions (the “**Option Conditions**”):

4.1 Optionee shall have (i) received all discretionary planning and zoning land use entitlements and approvals required to be obtained from governmental authorities (including the County, Design Control Board, Department of Public Works, and the California Coastal Commission), except for receipt of the waterside Coastal Development Permit (“**Waterside CDP**”), (ii) received all required approvals and satisfied all conditions to the issuance of the Waterside CDP, except for the recordation of the lease restriction required to be recorded as a condition to the issuance of the Waterside CDP (which the parties hereby agree shall be recorded substantially concurrent with and immediately following the recordation of the Memorandum of Lease, and (iii) satisfied all requirements for the issuance of a building permit (other than payment of the building permit fee), for the construction of the Development Work (collectively, the “**Entitlements**”), and both (a) the Entitlements shall not be subject to further appeal and (b) there shall be no proceeding or litigation pending to appeal the issuance of the Entitlements, or to enjoin or restrain the performance of the Development Work (not including any proceeding or litigation brought by or on behalf of the Optionee, or any direct or indirect partner, shareholder or member of, or any other person or entity affiliated with, or otherwise directly or indirectly having an ownership interest in, the Optionee), or if such a proceeding or litigation has been pending, then a dismissal, decision or judgment shall have been issued in favor of the validity of the Entitlements, which dismissal, decision or judgment shall not be subject to further appeal (collectively, the “**Entitlements Condition**”); and

4.2 Optionee shall have obtained Project Financing for the Development Work (the “**Project Financing Condition**”).

**5. Exercise of Option.** The Option shall be exercisable only by the strict satisfaction on or before the Option Expiration Date of the following conditions:

5.1 Optionee shall notify County in writing of its exercise of the Option (“**Option Exercise Notice**”);

5.2 Optionee shall accompany the Option Exercise Notice with the following:

(a) Optionee’s execution and delivery to County of the Lease, with any additional terms required to be included therein as provided in this Agreement, and any

blank or bracketed terms in Exhibit B hereto, completed in accordance with the terms and provisions of this Agreement;

(b) Optionee's execution and delivery to County in recordable form of a memorandum of lease with respect to the Lease in form reasonably acceptable to County (the "**Memorandum of Lease**"); and

(c) Optionee's execution and delivery of the County Sublease; the documents in items (a), (b) and (c) of this Section 5.2 are collectively referred to as the "**Option Closing Documents**";

5.3 concurrent with the delivery of the Option Exercise Notice, Optionee shall deliver to County the Security Deposit described in Article 7 of the Lease;

5.4 as of the date of Optionee's delivery of the Option Exercise Notice, there shall not be a Optionee Default under this Agreement;

5.5 the Option Conditions Satisfaction shall have occurred and there shall be no change in circumstances after the occurrence of the Option Conditions Satisfaction that causes the Option Conditions to no longer continue to be satisfied; and

5.6 Director shall have approved all plans, specifications and other materials for the Development Work required to be submitted to Director pursuant to Section 7.3 of this Agreement.

Upon the satisfaction of the Option Conditions and Optionee's proper and timely exercise of the Option (including the satisfaction of all of the conditions set forth above in this Section 5), County shall execute, date (with the same "**Effective Date**" for all Option Closing Documents) and deliver the Option Closing Documents, and the Option Closing shall be consummated as soon as reasonably possible thereafter, but, in any event not later than forty-five (45) days following the date of Optionee's exercise of the Option. If Optionee's Project Financing is in a position to close within the above forty-five (45) day period, County agrees to cooperate with Optionee to effectuate a concurrent closing of Optionee's Project Financing with the Option Closing such that the "**Effective Date**" (as such term is defined in each of the Option Closing Documents) is the same as the date of the close of Optionee's Project Financing; provided, however, in no event shall such agreement to cooperate be interpreted to require County to delay the Option Closing beyond such forty-five (45) day period; and provided, further, that County shall not be required to execute and deliver the Option Closing Documents unless Optionee continues to satisfy the Option Conditions and Optionee's Project Financing is in a position to close. Notwithstanding the foregoing, Director shall have the authority in the exercise of Director's good faith judgment, but not the obligation, to extend for up to an additional thirty (30) days the forty-five (45) day period in which Optionee is required to close Optionee's Project Financing.

The failure of Optionee's Project Financing to close or the failure of the continuing satisfaction of the conditions to County's required execution and delivery of the Option Closing Documents during the above forty-five (45) day period (as such period may be extended pursuant to the last sentence of the immediately preceding paragraph) shall not in and of itself

cause a termination of the Option, and, as long as the Option Term has not expired, Optionee shall have the continuing right to subsequently re-exercise the Option during the remainder of the Option Term if Optionee once again satisfies all conditions to such exercise, subject to Optionee causing the closing of Optionee's Project Financing and the continued satisfaction of the conditions to County's execution and delivery of the Option Closing Documents during the forty-five (45) day period following such subsequent re-exercise of the Option (as such period may be extended by Director pursuant to the last sentence of the immediately preceding paragraph), in accordance with the terms and provisions of this Section 5.

**6. Option Fee.** In consideration of County's grant of the Option, concurrent with the execution and delivery of this Agreement Optionee shall pay to County a fee for the grant of the Option in the amount of One Hundred Thousand Dollars (\$100,000.00) ("**Option Fee**"). The Option Fee shall be non-refundable.

**7. Entitlements and Plan Preparation During Option Term.**

7.1 Obtaining Entitlements. During the Option Term, Optionee shall use its best efforts to satisfy the Option Conditions as soon as possible. Such efforts shall include expenditure of such funds, including, without limitation, application fees, travel costs, architectural fees and consulting and lobbying fees, as reasonably necessary to expedite the permit, license and other approval processes.

7.2 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Optionee, to the extent reasonably requested by Optionee, in Optionee's efforts to obtain the Entitlements. Such cooperative efforts may include the Department's joinder in any application for the Entitlements, where joinder therein by the Department is required or helpful; provided, however, that Optionee shall reimburse County for the Actual Costs (as defined in the form of the Lease) incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding any contrary provision of this Agreement, Optionee and County acknowledge that the approvals given by County under this Agreement and/or the Lease shall be approvals pursuant to its authority under Section 25536 or 25907 of the California Government Code and given in its proprietary capacity; that approvals given under this Agreement and/or the Lease in no way release Optionee from obtaining, at Optionee's expense, all permits, licenses and other approvals required by law for the construction of the Development Work, and operation and other use of the and the improvements located thereon; and that the Department's duty to cooperate and County's approvals under this Agreement and/or the Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Agreement and/or the Lease.

For the purposes of this Agreement, "**Unreasonable County Activity**" means any of the following actions (or inactions) that occur during the period from the date of this Agreement and continuing until the expiration of the Option Term: (i) the Department's failure to provide required County joinder, if any, as fee title owner of the Premises, in Optionee's submittal to the applicable governmental agency of the Final Plans and Specifications (as defined in Section 5.3 of the Lease) for the Development Work that are approved by the Department; or (ii) the Department's failure to take such other actions, at no cost or expense to County, in its proprietary

capacity, that are reasonably requested by Optionee and which are necessary for Optionee to proceed with the permitting and approval process, or the taking by the Department of actions in its proprietary capacity, without Optionee's consent, which are in conflict with Optionee's rights and obligations under this Agreement and actually delay the receipt of the Entitlements; or (iii) the Department's failure to comply with the time periods imposed upon the Department under Section 7.3 below, except in the case (if any) where a failure of the Department to notify Optionee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in this Section 7.2 or the other provisions of this Agreement shall be construed as obligating the Department or the County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit or approval process. No action or inaction shall constitute Unreasonable County Activity unless and until all of the following procedures and requirements have been satisfied:

(a) Within a reasonable time under the circumstances, Optionee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Director is not notified in writing by Optionee as specified in the immediately preceding sentence within five (5) days following Optionee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this Section 7.2, in no event shall Optionee be entitled to any extension of the Option Term for any period of the delay under this Section 7.2 that occurred prior to the date of the notice to Director referenced in this paragraph (a).

(b) Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, Director shall meet with Optionee or its authorized representative in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the duration of the delay caused by such Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the amount of delay under this Section 7.2 for the Unreasonable County Activity shall equal the actual amount of delay in the receipt of the Entitlements directly caused by the Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by Optionee), then Optionee and Director shall establish the length of the delay in the receipt of the Entitlements likely to be caused by the Unreasonable County Activity.

(c) If, within fourteen (14) days following receipt of Optionee's notice alleging Unreasonable County Activity, Director and Optionee have not agreed in writing as to whether delay in the receipt of the Entitlements due to Unreasonable County Activity has occurred or the length of such delay, then the matter shall be referred to the Board of Supervisors of the County for such determination.

**7.3 County Premises Delivery Obligations.** County shall complete the Premises Delivery Obligations (as defined below) by the date (the "**Required Date**") that is the later of (a) one hundred twenty (120) days after the date of receipt of written notice from

Optionee of the estimated date by which Lessee intends to exercise the Option; or (b) thirty (30) days prior to the required date for the Option Closing. The “**Premises Delivery Obligations**” shall consist of the following:

(i) County shall cause the cessation of the operation of charter services on the dock currently utilized for such operation; and

(ii) County shall vacate and cause the termination of access rights of any tenants, subtenants, licensees, concessionaires or County employees to the permanent buildings and all other improvements occupied by such persons, except for the temporary trailers, the Sheriff/Maintenance Docks (as defined in the form of Lease) and associated areas shown in orange, blue and green on the interim site plan attached to this Agreement as Exhibit C-1. County shall have the right in accordance with the County Sublease to continue to occupy and use the Sheriff/Maintenance Docks after the execution and delivery of the Lease, and also the right to retain and continue to use the temporary trailers on the Premises for the period specified in Section 11.18(a) below, at which time County shall be required to remove such temporary trailers from the Premises in accordance with the terms and provisions of the County Sublease. During the period in which County is entitled to continue to use the temporary trailers, the shared access and use of the Premises shall be pursuant to the interim site plan attached as Exhibit C-1. During the remainder of the construction period after County’s right to continue to use the temporary trailers ceases, the shared access and use of the Premises shall be pursuant to the interim site plan attached to this Agreement as Exhibit C-2.

The Premises Delivery Obligations shall not include the demolition or removal of any permanent buildings or storage sheds, provided that County shall have the right, but not the obligation, to remove personal property, fixtures and equipment from the Premises or any buildings or other improvements located on the Premises. Prior to the Effective Date of the Lease Optionee shall satisfy itself as to the completion of the Premises Delivery Obligations and as to the condition of the Premises in accordance with the terms and provisions of Section 8 below. As long as the Department uses its diligent efforts to cause County to satisfy the Premises Delivery Obligations by the Required Date, County shall not be liable to Optionee for any delay in the completion of the Premises Delivery Obligation, but such delay shall constitute Unreasonable County Activity for purposes of Section 7.2 above and the required date for the Option Closing shall be extended until five (5) business days after the date of the completion of the Premises Delivery Obligations.

7.4 Plans and Specifications. The Development Work shall be constructed by Optionee in accordance with and subject to the terms and provisions of Article 5 of the Lease. The requirements of Article 5 of the Lease include, without limitation, the obligation of the Optionee to prepare and submit to Director for Director’s approval, certain plans, specifications, construction cost estimates and other materials pertaining to the Development Work, as set forth in more detail in Section 5.3 of the Lease. The procedure for the preparation, submittal and approval of the plans, specifications, construction cost estimates and other materials shall generally proceed in accordance with the terms and provisions of the Lease, except that during the period commencing on the date of this Agreement and expiring on the earlier of the Optionee’s exercise of the Option or the expiration of the Option Term, Optionee shall prepare and submit to Director for Director’s approval, any portions of the plans, specifications and other

materials described in Section 5.3 of the form of Lease that are required to be submitted to governmental authorities (including the County, the Design Control Board, the California Coastal Commission, and the Regional Planning Commission) in connection with the applications for or receipt of the Entitlements for the Development Work, and as a condition to the exercise of the Option such plans and specifications shall have been approved by Director. Optionee shall accompany such plans, specifications and other materials with the construction cost estimates described in Section 5.3 of the form of the Lease. The standards and time periods for Director's review and approval of the materials submitted by Optionee pursuant to this Section 7.3 shall be in accordance with the terms and provisions of Section 5.3 of the form of the Lease, which terms and provisions are hereby incorporated into this Agreement by reference. Such plans, specifications and other materials shall be prepared and submitted to Director by Optionee in accordance with a schedule which shall facilitate Optionee's satisfaction of all conditions precedent to the exercise of the Option on or before the expiration of the Option Term. In addition to the plans, specifications and materials required to be submitted by Optionee to Director pursuant to this Section 7.3, Optionee shall have the right, at its election, but not the obligation, to deliver to Director, for Director's approval, additional plans, specifications and materials pertaining to the Development Work. Director shall notify the Optionee of its approval or disapproval of such additional plans, specifications and materials within the time frames and in accordance with the requirements of Section 5.3 of the form of the Lease. Notwithstanding the foregoing, County acknowledges that prior to the date of this Agreement Optionee has satisfied the requirement for Director's approval of the schematic plans and narrative description of the Development Work required under Subsection 5.3.1 of the Lease. The Development Plan attached as Exhibit B to the Lease shall be deemed to satisfy such requirement.

**8. Right of Inspection.** During the period from the date of this Agreement until the earlier of the termination of this Agreement or Optionee's exercise of the Option, County shall permit Optionee and its authorized agents and representatives to enter upon the Premises at reasonable times during normal business hours to inspect and conduct tests and studies of the Premises that Optionee desires to conduct, subject to County's right to approve any invasive inspections, tests or studies, which approval shall not be unreasonably withheld. Optionee shall notify County in writing of its intention, or the intention of its agents or representatives, to enter the Premises at least forty-eight (48) hours prior to such intended entry and shall obtain County's prior written consent to any invasive inspections, tests and studies to be conducted. Optionee's entry and activities on the Premises pursuant to this Section 8 shall not interfere with the use, occupancy or operation of the Premises. As a condition to any entry onto the Premises, Optionee shall first execute a right of entry agreement in form satisfactory to County. County shall have the right to be present for any inspection, test or study. Optionee shall bear the cost of all inspections, tests and studies conducted by Optionee pursuant to this Section 8. Prior to Optionee's exercise of the Option, Optionee shall fully satisfy itself with respect to the condition of the Premises, including without limitation, the environmental condition of the Premises and the performance of County's Premises Delivery Obligations, subject to the rights afforded to Optionee pursuant to Section 7.3. In connection with Optionee's inspection and review of the Premises, the Department agrees to provide to Optionee such pre-existing documentation as reasonably requested by Optionee and in possession of the Department regarding the previous removal from the Premises of underground storage tanks and the remediation of soils contamination relating to such underground storage tanks. Optionee acknowledges and agrees that any third party reports, studies or other documents provided by the Department or County to



Optionee with respect to the condition of the Premises (including without limitation, environmental matters) shall be delivered with no representation or warranty, express or implied, by Department or County with respect to the content, accuracy or completeness of same. Optionee acknowledges and agrees that neither County nor any County Released Parties (as defined in Section 11.17 below) has made, nor prior to the execution and delivery of the Lease shall have made, any representations or warranties, express or implied, with regard to the condition of the Premises, including without limitation, with respect to any environmental matters affecting the Premises, any improvements thereon or any ground water beneath the Premises. Optionee agrees and confirms that if Optionee exercises the Option the Premises shall be leased to Optionee in its “**AS-IS WITH ALL FAULTS**” condition in accordance with and subject to the terms and provisions of the Lease, and, except as expressly set forth in the Lease, neither County nor any County Release Parties shall have any obligations or liabilities to Optionee with respect to the condition of the Premises or any environmental matters affecting or relating to the Premises, any improvements thereon or any ground water located beneath the Premises.

**9. Condition of Title.** Prior to the exercise by Optionee of the Option, Optionee shall review and confirm that title to the Premises is in such condition as is acceptable to Optionee for its lease of the Premises and the development and use of the Premises in accordance with the terms and provisions of the Lease. Upon execution and delivery of the Lease, Optionee’s leasehold title to the Premises shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way (a) existing as of the date of the Lease or otherwise referenced in the Lease; (b) that would be disclosed by an inspection or survey of the Premises; (c) pertaining to the construction, maintenance, service or operation of sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City of Los Angeles to convey or transfer easements or other rights pertaining to such matters to others; or (d) arising in connection with Optionee’s proposed development of the Premises or otherwise consented to by Optionee. Notwithstanding the foregoing, County agrees to cooperate with Optionee, at Optionee’s cost, in Optionee’s efforts to address title matters, if any, which would prevent Optionee from proceeding with the development of the Premises in accordance with the Development Work, as long as such efforts do not materially adversely affect County (e.g., cooperating with Optionee in the relocation at Optionee’s cost of any easements or reservations which interfere with the Development Work and providing approval for any necessary encroachment onto any easement or reservation, in each case to the extent such relocation or encroachment is reasonably acceptable to County). This Section 9 is intended to address only title matters that arise in connection with the voluntary exercise by County of its proprietary rights as owner of the Premises, and this Section 9 shall not pertain to zoning, entitlement, land use or other matters involuntarily imposed against the Premises or imposed against the Premises by County in its governmental or regulatory capacity.

**10. County Costs.** Regardless of whether the Option is exercised, Optionee shall promptly reimburse County for the Actual Costs (as defined in the form of Lease) incurred by County in the review, negotiation, preparation, documentation and administration of this Agreement, the Lease, the Prior Agreement and the term sheets and memoranda that precede or preceded any of the foregoing. Optionee shall pay all of such Actual Costs that were invoiced to Optionee prior to or as of the date of this Agreement concurrent with Optionee’s execution and

delivery of this Agreement. Optionee shall pay any such Actual Costs incurred by County that are invoiced to Optionee subsequent to the date of this Agreement within thirty (30) days following receipt by Optionee of an invoice from the County for such Actual Costs.

## **11. Miscellaneous.**

11.1 Time Is of the Essence. Time is of the essence of this Agreement, including, without limitation, with respect to all times, restrictions, conditions and limitations set forth herein.

11.2 Waivers. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms or provisions of this Agreement shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term or provision of this Agreement, nor shall failure on the part of either party to require exact, full and complete compliance with any of the covenants, conditions, terms or provisions of this Agreement be construed to in any manner change the terms hereof or estop that party from enforcing the full provisions hereof.

11.3 Notices. All notices required or permitted to be given under this Agreement shall be given in accordance with the terms and provisions of Section 15.10 of the Lease.

11.4 Captions. The captions contained in this Agreement are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Agreement.

11.5 Attorneys' Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Agreement, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys' fees, including without limitation, attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party.

11.6 No Assignment. Optionee shall have no right to assign or transfer its rights or obligations under this Agreement to any other person or entity, without the express written consent of County, which consent may be withheld by County in its sole and absolute discretion. Any transfer of an aggregate of fifty percent (50%) or more of the direct or indirect beneficial ownership interest in Optionee shall constitute an assignment or transfer that requires the written consent of County pursuant to this Section 11.6. Notwithstanding the foregoing provisions of this Section 11.6, County shall not unreasonably withhold its consent to an assignment or transfer by Optionee of its rights and obligations under this Agreement to an entity in which a majority of the beneficial ownership interest is owned by the same persons that own a majority of the beneficial ownership interest in Optionee as of the date of this Agreement and as to which there is no Change in Control (as defined in the Lease) of the Optionee. Any assignee of the Optionee's rights under this Agreement shall assume all of the Optionee's obligations and liabilities under this Agreement in form acceptable to County. No assignment or transfer of Optionee's rights or obligations under this Agreement shall release the assignor from any of Optionee's obligations and liabilities under this Agreement. Additionally, any transfer that would

constitute an “Excluded Transfer” as defined in the Lease shall be permitted under the same terms and conditions as provided in the Lease, and Director shall have the authority to consent on behalf of County to any assignment of this Agreement that constitutes an Excluded Transfer. Without limitation of County’s consent rights set forth in this Section 11.6, County shall have the right to condition any County consent to an assignment or transfer under this Section 11.6 upon the following: (a) if the assignment or transfer is not an Excluded Transfer, County shall have the right to require payment by Optionee to County of a share of the transfer proceeds based upon substantially the same “Net Proceeds Share” formula as set forth in Section 4.8 of the Lease as if Optionee’s transfer of its rights under this Agreement constituted the transfer of its leasehold interest under the Lease; and (b) approval by County (or Director in the case of an Excluded Transfer) of the credit standing of the assignee and the required delivery of a completion guaranty with respect to the Development Work from one or more persons or entities reasonably acceptable to County (or Director in the case of an Excluded Transfer).

11.7 Entire Agreement. This Agreement sets forth the full and complete understanding of the parties relating to the subject matter hereof, and supersedes any and all agreements, understandings and representations made prior hereto with respect to such matters.

11.8 Joint Effort. Preparation of this Agreement has been a joint effort of the parties, and the resulting document shall not be construed more severely against one of the parties than against the other.

11.9 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

11.10 Counterparts. This Agreement may be signed in any number of counterparts. Each counterpart shall represent an original of this Agreement and all such counterparts shall collectively constitute one fully-executed document.

11.11 Successors and Assigns. Subject to Section 11.6 above, the rights and obligations of the parties under this Agreement shall be binding upon the parties’ respective successors and assigns.

11.12 Optionee Default. For purposes of this Agreement, an “**Optionee Breach**” under this Agreement means a failure of Optionee to perform or comply with any material obligation or covenant of Optionee under this Agreement. For purposes of this Agreement, an “**Optionee Default**” under this Agreement means Optionee’s failure to cure an Optionee Breach under this Agreement within (a) ten (10) days after Optionee’s receipt of written notice from County in the case of the payment of money, or (b) thirty (30) days after Optionee’s receipt of written notice from County in the case of any other obligation or covenant of Optionee under this Agreement; provided, however, that if the nature of the Optionee Breach under this clause (b) is such that it cannot with reasonable diligence be cured within thirty (30) days, then the cure period set forth in this clause (b) shall be extended for such additional period as reasonably required for the cure of the Optionee Breach as long as Optionee commences cure of the Optionee Breach within thirty (30) days after Optionee’s receipt of written notice from County and diligently prosecutes such cure to completion.

11.13 No Third Party Beneficiary. Notwithstanding any term or provision of this Agreement to the contrary, no term or provision of this Agreement shall be interpreted, construed or considered to grant or afford any rights or remedies to any person or entity other than to County or Optionee as the parties to this Agreement, and no other person or entity shall have any rights or remedies as a third party beneficiary under this Agreement.

11.14 Indemnification. Optionee agrees to indemnify, defend and hold County, its agents, officers and employees, harmless from and against any claim, cause of action or proceeding brought against County, its agents, officers or employees, and all liabilities and costs (including, without limitation, attorneys' fees) incurred in connection therewith, regarding any contest, opposition or challenge relating to the Entitlements for the Development Work, including without limitation, any contest, opposition or challenge to the issuance of any particular permit(s) or approval(s) for the Development Work or as to whether the Development Work requires the issuance of any particular permit(s) or approval(s). Optionee shall have the right to assume the defense of any such action or proceeding with counsel reasonably satisfactory to County.

11.15 Reasonableness Standard. Except where a different standard or an express response period is specifically provided herein, whenever the consent or approval of County or Director is required under this Agreement, such consent or approval shall not be unreasonably withheld, conditioned or delayed, and whenever this Agreement grants County or Director the right to exercise discretion or make determinations, County and Director shall act reasonably and in good faith. The terms and provisions of this section pertain to County in its proprietary capacity as fee owner of the Premises and do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions as fee owner of the Premises pursuant to this Agreement.

11.16 Exhibits. Exhibits A, B, C-1, C-2 and D are hereby expressly incorporated herein by reference.

11.17 Prior Agreement. County and Optionee acknowledge and agree that the Prior Agreement has terminated, and that neither party has any further obligations or liabilities under the Prior Agreement. County, on behalf of itself and all County Release Parties, and Optionee, on behalf of itself and all Optionee Release Parties, each hereby irrevocably and unconditionally releases, acquits and discharges the Other Party from any and all claims, demands, costs and liabilities, whether in contract, tort, or otherwise, with respect to the Prior Agreement or any breach, default, obligation, liability, action or inaction thereunder. For purposes hereof, (a) "**County Release Parties**" means all of County's predecessors and successors in interest, assigns, divisions, departments, commissions, boards, committees or other governmental bodies, and each of their respective agents, attorneys, employees, board members, officers, officials, insurers, independent contractors, and representatives; (b) "**Optionee Release Parties**" all of Optionee's predecessors and successors in interest, assigns, subsidiaries, direct and indirect parents, divisions, affiliated entities' and such entities' direct and indirect parents and subsidiaries, and their past, present, and future agents, attorneys, employees, principals, partners, insurers, independent contractors, and representatives; (c) in the case of County and the County Release Parties, "**Other Party**" means Optionee and the Optionee Release Parties, and in

the case of Optionee and the Optionee Released Parties, “**Other Party**” means County and the County Release Parties.

In connection with the foregoing, the parties are aware that Section 1542 of the California Civil Code provides as follows:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”**

The parties expressly waive all rights under Section 1542 of the Civil Code of California, and under any and all similar laws, with respect to the matters released herein. Each party assumes the risk that the facts and/or law may be other than it believes.

11.18 County Sublease. Concurrent with the execution and delivery of the Lease, County and Optionee shall enter into the County Sublease in such form as reasonably agreed upon by County and Optionee prior, and as a condition, to the exercise of the Option.

(a) The County Sublease shall provide for the lease by Optionee, as sublessor, to County, as sublessee, of the County Building, County Yard and Sheriff/Maintenance Docks (as such terms are defined in the Lease) (collectively, the “**County Sublease Premises**”). The County Sublease shall also include a continued interim right of access to and use of the temporary trailers existing on the Premises in the area marked in orange on Exhibit C-1 attached to this Agreement until the later of (i) one (1) year following the Effective Date of the Lease, or (ii) two (2) years after the date of this Agreement. In connection with the sublease by County of the County Building, County Yard and Sheriff/Maintenance Docks, the County Sublease shall also grant County non-exclusive access over the exterior exits, entrances and drive aisles on the Premises, including key cards or other access devices to enter and exit through all gates or other access control equipment located on the exterior of the Premises for purposes of such access, all as more particularly set forth in the County Sublease. Vehicular and pedestrian access to and from the Sheriff/Maintenance Docks and the existing hoist shall be maintained during the construction of the Development Work. The County Sublease shall grant County the right to the exclusive use of four (4) designated reserved parking spaces in the location reasonably agreed upon by County and Optionee prior to the execution of the County Sublease, and the non-exclusive use in common with Optionee and the other subtenants, occupants or customers of the Premises of the remaining exterior parking facilities. The County Sublease shall also provide County with the non-exclusive use in common with Optionee of the new Hoist (as defined in the Lease) to be installed by Optionee as part of the Development Work in the approximate location shown on the Development Plan generally adjacent to the Optionee’s exterior docks and the Sheriff/Maintenance Docks, as such location is more specifically shown on the Final Plans and Specifications. Optionee shall be responsible, at Optionee’s cost, for the maintenance, repair and replacement of the Hoist in good working order and condition. Access and use rights during the period in which County is entitled to retain the temporary trailers on the Premises shall be in accordance with the interim site plan attached to

this Agreement as Exhibit C-1. Access and use rights during the period after which County is no longer entitled to use the temporary trailers, but prior to the completion of construction, shall be in accordance with the interim site plan attached to this Agreement as Exhibit C-2. Access and use rights following the completion of construction shall be as set forth in the final site plan attached to this Agreement as Exhibit D. All vehicular and pedestrian access areas on the final site plan shall be shared by Optionee and County, and shall not be altered or obstructed without County's agreement.

(b) The term of the County Sublease with respect to the temporary trailers shall expire on the later of (i) the first (1<sup>st</sup>) anniversary of the Effective Date of the Lease, or (ii) the second anniversary of the date of this Agreement. The term of the County Sublease with respect to the County Building, County Yard and Sheriff/Maintenance Docks shall be co-terminus with the Term of the Lease; provided, however, that County shall have the right to terminate the County Sublease with respect to the Sheriff/Maintenance Docks by written notice to Optionee at any time not later than one (1) year prior to the Required Sheriff/Maintenance Dock Replacement Date (as defined in the Lease). If County elects to exercise such early termination right with respect to the Sheriff/Maintenance Docks, then (i) Optionee shall pay to County the sum of \$427,900.00 (the "**Dock Payment**"), and (ii) in lieu of the obligation to replace the Sheriff/Maintenance Docks by the Required Sheriff/Maintenance Dock Replacement Date, Optionee shall either remove or replace such docks prior to the expiration of the estimated safe remaining useful life of the Sheriff/Maintenance Docks, as such estimated safe remaining useful life was established pursuant to the Dock Replacement Deferral Certificate referenced in Section 5.1(g) of the Lease. If County notifies Lessee of its exercise of its termination right with respect to the Sheriff/Maintenance Docks by a date that is at least ninety (90) days prior to the Effective Date of the Lease, then Lessee shall pay the Dock Payment to County on or before the Effective Date of the Lease. If County notifies Lessee of its exercise of its termination right with respect to the Sheriff/Maintenance Docks later than ninety (90) days prior to the Effective Date of the Lease, then Lessee shall pay the Dock Payment to County in twelve (12) equal monthly installments of 1/12<sup>th</sup> of the Dock Payment, plus interest at the Prime Rate (as defined in the Lease) on the unpaid amount accruing from the date that the first installment is payable until the entire Dock Payment is paid. The first of such monthly installments shall be payable on the later of the Effective Date of the Lease or the first day of the calendar month that is at least ninety (90) days after the date of County's notice to Lessee of its exercise of its termination right with respect to the Sheriff/Maintenance Docks, and the remaining eleven (11) installments shall be payable on or before the first day of each of the eleven (11) months thereafter. Lessee shall have the right to prepay the Dock Payment at any time.

(c) County shall not be required to pay any rent under the County Sublease, provided that (i) County shall be responsible for the reimbursement to Optionee of all real estate taxes and assessments pertaining to the County Sublease Premises, as reasonably allocated by County and Optionee between the County Sublease Premises and the remainder of the Premises to the extent that County does not obtain an exemption from such real estate taxes and assessments for the County Sublease Premises; (ii) County shall be responsible for the cost of all utilities that serve the County Building, which utilities shall be separately metered pursuant to meters installed as part of the Development Work in the construction of the County Building; and (iii) County shall be responsible for the cost of all utilities that serve the temporary trailers during the period of County's interim occupancy, which cost shall either be separately metered

or equitably allocated to the temporary trailers. County shall be responsible, at County's cost, for the maintenance and repair of the County Yard and the Sheriff/Maintenance Docks, but not for structural repairs or replacement of the Sheriff/Maintenance Docks. County shall also be responsible for the maintenance and repair of the temporary trailers during County's interim occupancy of the temporary trailers. Optionee shall be responsible, at Optionee's cost, for the maintenance and repair of the structural components of the County Building and the utility systems serving the County Building up to the point of connection of such utility systems to the County Building. County shall be responsible for the maintenance and repair of the non-structural components of the County Building and the utility systems serving the County Building inside the point of connection of such utility systems to the County Building. County shall be responsible for the remediation in compliance with Applicable Law of any Hazardous Substances (as defined in the Lease) stored, used or released on or from the County Sublease Premises by County, its employees, agents or contractors during the term of the County Sublease in violation of Applicable Law. The County Sublease shall include such other terms and provisions as reasonably agreed upon by County and Optionee.

*[Remainder of page intentionally left blank;  
signature page follows]*

IN WITNESS WHEREOF, County and Optionee have entered into this Agreement as of the date first set forth above.

THE COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Chair, Board of Supervisors

MDR BOAT CENTRAL, L.P., a California limited partnership

By: MDR Boat Central, LLC, a California limited liability company, General Partner

By: Pacific Marina Development, Inc., a California corporation, Manager

By: \_\_\_\_\_  
Thomas J. Hogan, President

**ATTEST:**

PATRICK OGAWA,  
Acting Executive Officer - Clerk of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

**APPROVED AS TO FORM:**

MARY C. WICKHAM,  
County Counsel

By: \_\_\_\_\_  
Deputy

**APPROVED AS TO FORM:**

GLASER WEIL FINK HOWARD AVCHEN & SHAPIRO LLP

By: \_\_\_\_\_



**EXHIBIT A**  
**LEGAL DESCRIPTION OF PREMISES**

**EXHIBIT B**  
**FORM OF LEASE**

**EXHIBIT C-1**  
**FIRST INTERIM SITE PLAN**

**EXHIBIT C-2**  
**SECOND INTERIM SITE PLAN**

**EXHIBIT D**  
**FUTURE SITE PLAN**

**LEASE AGREEMENT**  
**Parcel 52**

by and between

COUNTY OF LOS ANGELES

and

MDR BOAT CENTRAL, L.P.,  
a California limited partnership

Dated as of \_\_\_\_\_, \_\_\_\_\_

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EXHIBIT A	LEGAL DESCRIPTION OF PREMISES
EXHIBIT B	DEVELOPMENT PLAN
EXHIBIT C	ASSIGNMENT STANDARDS
EXHIBIT D	EXAMPLES OF PERMITTED CAPITAL EXPENDITURES
EXHIBIT E	TREE TRIMMING POLICY

**LEASE AGREEMENT  
PARCEL 52 — MARINA DEL REY**

THIS LEASE AGREEMENT (“**Lease**”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (“**Effective Date**”), by and between the COUNTY OF LOS ANGELES (“**County**”), as lessor, and MDR BOAT CENTRAL, L.P., a California limited partnership (together with its permitted successors and assigns, “**Lessee**”), as lessee.

**RECITALS**

WHEREAS, County owns fee title to certain real property in Marina del Rey commonly known as modified Parcel 52 and more particularly described in Exhibit A attached hereto (the “**Premises**”).

WHEREAS, County and Lessee have entered into that certain Option Agreement Regarding Leasehold Interest dated \_\_\_\_\_, 2016 (the “**Option Agreement**”), pursuant to which County has granted Lessee an option (the “**Option**”) to lease the Premises from County on the terms and conditions set forth in this Lease; and

WHEREAS, Lessee has exercised the Option in accordance with the terms and provisions of the Option Agreement.

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Lessee agree as follows:

1. **BACKGROUND AND GENERAL.**

1.1 **Definitions.** The defined terms in this Lease shall have the following meanings:

1.1.1 “**ACCOUNTING YEAR**” shall have the meaning set forth in Section 14.7.

1.1.2 “**ACTUAL COST**” shall mean (i) the reasonable out-of-pocket costs and expenses incurred by County with respect to a particular activity or procedure, including without limitation, expenditures to third party legal counsel, financial consultants and advisors (including the use of County’s environmental consultant), (ii) costs incurred in connection with appraisals, (iii) the reasonable value of services actually provided by County’s in-house counsel, and (iv) the reasonable value of services actually provided by County’s lead lease negotiator/administrator and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is two levels below County department head) required by the lead lease negotiator/administrator for technical expertise or assistance. In those instances in which Lessee is obligated to reimburse County for its Actual Costs incurred in performing obligations required to be performed by Lessee under this Lease which Lessee fails to perform within the applicable cure period, if any, provided under this Lease, Actual Costs shall also include a reasonable allocation of County overhead and administrative costs to compensate County for performing such obligations on behalf of Lessee.

- 1.1.3 “ADA” shall have the meaning set forth in Section 1.2.1.
- 1.1.4 “ADDITIONAL DISPUTES” shall have the meaning set forth in Section 16(a).
- 1.1.5 “ADJUSTMENT DATES” shall have the meaning set forth in Section 4.3.
- 1.1.6 “ADMINISTRATIVE CHARGE” shall have the meaning set forth in Section 4.6.
- 1.1.7 “AGGREGATE TRANSFER” shall have the meaning set forth in Subsection 4.6.3.
- 1.1.8 “ALTERATIONS” shall have the meaning set forth in Section 5.2.
- 1.1.9 “ANCHORAGE IMPROVEMENTS” shall mean all docks, gangways, anchorage slips, end-ties and related anchorage Improvements.
- 1.1.10 “ANTENNAE” shall have the meaning set forth in Subsection 3.2.2.5.
- 1.1.11 “ANNUAL MINIMUM RENT” shall have the meaning set forth in Subsection 4.2.1.
- 1.1.12 “ANNUAL RENT” shall have the meaning set forth in Section 4.2.
- 1.1.13 “APPLICABLE LAWS” shall have the meaning set forth in Subsection 1.2.1.
- 1.1.14 “APPLICABLE RATE” shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate plus three percent (3%) per annum; provided, however, that the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws.
- 1.1.15 “APPLICABLE DEVELOPMENT COSTS” shall have the meaning set forth in Section 5.1.
- 1.1.16 “APPROVED GOVERNMENTAL CHANGES” shall mean any changes to the Development Work (or other Alterations, as applicable) required by the California Coastal Commission or other applicable governmental agency as a condition to the issuance of required governmental permits and approvals for such Development Work (or other Alterations, as applicable), except for any change that is a Material Modification.
- 1.1.17 “APPROVED STORAGE, TRAILER OR LOCKER LEASE” shall have the meaning set forth in Subsection 11.1.2.
- 1.1.18 “ASSIGNMENT STANDARDS” shall have the meaning set forth in Section 11.2.

1.1.19 “AUDITOR-CONTROLLER” shall mean the Auditor-Controller of the County of Los Angeles, California.

1.1.20 “AWARD” shall have the meaning set forth in Subsection 6.1.3.

1.1.21 “BASE VALUE” shall have the meaning set forth in Subsection 4.8.1.1.

1.1.22 “BENEFICIAL INTEREST” shall have the meaning set forth in Subsection 4.6.4.

1.1.23 “BOARD” shall mean the Board of Supervisors for the County of Los Angeles.

1.1.24 “BUSINESS DAY” shall have the meaning set forth in Section 17.3.

1.1.25 “CALCULATION NOTICE” shall have the meaning set forth in Section 4.7.

1.1.26 “CAPITAL IMPROVEMENT FUND” shall have the meaning set forth in Section 5.12.

1.1.27 “CHANGE OF OWNERSHIP” shall have the meaning set forth in Subsection 4.6.1.

1.1.28 “CHANGE OF CONTROL” shall have the meaning set forth in Subsection 4.6.1.

1.1.29 “CITY” shall mean the City of Los Angeles, California.

1.1.30 “CONDEMNATION” shall have the meaning set forth in Subsection 6.1.1.

1.1.31 “CONDEMNOR” shall have the meaning set forth in Subsection 6.1.4.

1.1.32 “CO DATE” means the date of the issuance of a certificate of occupancy (whether temporary or permanent) or other applicable governmental certificate or approval, for legal use and occupancy of a substantial portion of the Improvements available for sublease constructed as part of the Development Work.

1.1.33 “CONSTRUCTION COMPLETION DATE” means the date of the substantial completion of the Development Work, including the receipt of a certificate of occupancy (whether temporary or permanent) or other applicable governmental certificate or approval, for legal use and occupancy of all of the Improvements, following replacement or renovation (as applicable) by the Development Work.

1.1.34 “CONSTRUCTION PERIOD” shall have the meaning set forth in Subsection 4.2.1.

1.1.35 “CONSUMER PRICE INDEX” shall mean the Consumer Price Index--All Urban Consumers for Los Angeles-Riverside-Orange County, as published from time to time by

the United States Department of Labor or, in the event such index is no longer published or otherwise available, such replacement index as may be reasonably agreed upon by County and Lessee.

1.1.36 “COST” shall have the meaning set forth in Subsection 4.2.2.3(6).

1.1.37 “COUNTY” shall have the meaning set forth in the first paragraph of this Lease.

1.1.38 “COUNTY OPTION” shall have the meaning set forth in Subsection 11.2.4.

1.1.39 “COUNTY OPTION PRICE” shall have the meaning set forth in Subsection 11.2.4.

1.1.40 “COUNTY POOL RATE” shall have the meaning set forth in Subsection 4.4.5 of this Lease.

1.1.41 “COUNTY REMOVAL NOTICE” shall have the meaning set forth in Subsection 2.3.2.

1.1.42 “COUNTY SUBLEASE” shall have the meaning set forth in Section 17.10 of this Lease.

1.1.43 “COUNTY SUBLEASE PREMISES” means the portion of the Premises and Improvements leased by Lessee to County from time to time pursuant to the County Sublease.

1.1.44 “DATE OF TAKING” shall have the meaning set forth in Subsection 6.1.2.

1.1.45 “DEMOLITION AND REMOVAL REPORT” shall have the meaning set forth in Subsection 2.3.2.

1.1.46 “DEMOLITION SECURITY” shall have the meaning set forth in Subsection 2.3.2.

1.1.47 “DEPARTMENT” shall mean the Department of Beaches and Harbors of the County of Los Angeles.

1.1.48 “DEVELOPMENT PLAN” shall have the meaning set forth in Section 5.1.

1.1.49 “DEVELOPMENT WORK” shall have the meaning set forth in Section 5.1.

1.1.50 “DIRECTOR” shall mean the Director of the Department of Beaches and Harbors of the County of Los Angeles or any successor County officer responsible for the administration of this Lease.

1.1.51 “DISQUALIFICATION JUDGMENT” shall have the meaning set forth in Subsection 16.14.1.

1.1.52 “DOCUMENTED TRANSACTION COSTS” shall have the meaning set forth in Subsection 4.8.1.2.

1.1.53 “EFFECTIVE DATE” shall have the meaning set forth in the first paragraph of this Lease.

1.1.54 “ENCUMBRANCE” shall have the meaning set forth in Subsection 12.1.1.

1.1.55 “ENCUMBRANCE HOLDER” shall have the meaning set forth in Subsection 12.1.1.

1.1.56 “ENR INDEX” shall mean the Engineering News Record (ENR) Construction Cost Index for the Los Angeles Area, or such substitute index upon which the parties may reasonably agree if such index is no longer published or otherwise available.

1.1.57 “EQUITY ENCUMBRANCE HOLDER” shall have the meaning set forth in Subsection 12.1.1.

1.1.58 “EQUITY FORECLOSURE TRANSFEREE” shall have the meaning set forth in Subsection 12.2.1.

1.1.59 “ESTIMATED COSTS” shall have the meaning set forth in Subsection 2.3.2.

1.1.60 “EVENTS OF DEFAULT” shall have the meaning set forth in Section 13.1.

1.1.61 “EXCESS PERCENTAGE RENT PAYMENT” shall have the meaning set forth in Subsection 4.2.2.4.

1.1.62 “EXCLUDED CONDITIONS” shall have the meaning set forth in Subsection 1.2.3.

1.1.63 “EXCLUDED DEFAULTS” shall have the meaning set forth in Subsection 12.3.3.

1.1.64 “EXCLUDED TRANSFERS” shall have the meaning set forth in Subsection 4.6.2.

1.1.65 “EXTENDED TIME” shall have the meaning set forth in Section 15.15.

1.1.66 “FAIR MARKET RENTAL VALUE” shall have the meaning set forth in Subsection 4.4.1.

1.1.67 “FINAL PLANS AND SPECIFICATIONS” shall have the meaning set forth in Subsection 5.3.3.

1.1.68 “FINANCING EVENT” shall have the meaning set forth in Subsection 12.1.1.



1.1.69 “FIRST ADJUSTMENT DATE” shall have the meaning set forth in Subsection 4.2.1.

1.1.70 “FORCE MAJEURE” shall mean any inability of a party to perform any non-monetary obligation under this Lease due to fire or other casualty, earthquake, flood, tornado or other act of God, civil disturbance, war, organized labor dispute, freight embargo, governmental order or other unforeseeable event beyond the reasonable control of the party required to perform the subject obligation, including, in the case of a delay in the commencement or completion by Lessee of the Development Work or the Second Dock Replacement, a delay in such construction caused by a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity, although Lessee shall, to the extent possible, commence and complete the portions, if any, of the work, not impacted by such delay within the timeframes set forth in this Lease. In addition, in the case of the construction of the Development Work or Second Dock Replacement, Force Majeure shall also include (a) Unreasonable County Activity, as defined in and subject to the terms and conditions of Section 5.6 of this Lease; and (b) an injunction or restraining order against the performance of the Development Work or Second Dock Replacement issued pursuant to a court action commenced by a plaintiff other than County or the California Coastal Commission acting in their governmental capacity, Lessee, or any person or entity affiliated with Lessee; provided, however, regardless of whether Lessee is a named party in the action, as a condition to this clause (c) Lessee shall diligently pursue the removal of any such restraining order or injunction and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction.

1.1.71 “FORECLOSURE TRANSFER” shall have the meaning set forth in Subsection 12.2.1.

1.1.72 “FORECLOSURE TRANSFEREE” shall have the meaning set forth in Subsection 12.2.1.

1.1.73 “GROSS ERROR” shall have the meaning set forth in Subsection 16.15.4.

1.1.74 “GROSS RECEIPTS” shall have the meaning set forth in Subsection 4.2.2.3.

1.1.75 “GROSS TRANSFER PROCEEDS” shall have the meaning set forth in Section 4.8.

1.1.76 “HAZARDOUS SUBSTANCES” shall mean the following:

- (a) petroleum, any petroleum by-products, waste oil, crude oil or natural gas;
- (b) any material, waste or substance that is or contains asbestos or polychlorinated biphenyls, or is radioactive, flammable or explosive; and
- (c) any substance, product, waste or other material of any nature whatsoever which is or becomes defined, listed or regulated as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “solid waste” or similarly defined substance pursuant to any

Applicable Laws or other substance or material regulated under Applicable Laws regarding environmental matters.

1.1.77 “IMPROVEMENTS” means all buildings, structures, fixtures, fences, fountains, walls, paving, parking areas, driveways, walkways, plazas, landscaping, permanently affixed utility systems, docks, slips, end-ties and other anchorage improvements, and other improvements now or hereafter located on the Premises. The inclusion of structures, fixtures, fences, anchorage facilities, fountains, and utility systems in the foregoing definition is not intended to constitute a characterization by County or Lessee with regard to the nature of any particular item of personal property located at the Premises for income tax purposes.

1.1.78 “IMPROVEMENT COSTS” shall have the meaning set forth in Subsection 4.8.1.1.

1.1.79 “INCOME APPROACH” shall have the meaning set forth in Section 6.5.

1.1.80 “INITIAL CURE PERIOD” shall have the meaning set forth in Subsection 12.4.1(2)(a).

1.1.81 “INITIATING PARTY” shall have the meaning set forth in Section 16(a).

1.1.82 “INSTITUTIONAL LENDER” shall have the meaning set forth in Subsection 12.3.1.

1.1.83 “INSURANCE RENEGOTIATION DATE” shall have the meaning set forth in Section 9.6.

1.1.84 “LATE FEE” shall have the meaning set forth in Section 4.5.

1.1.85 “LEASE” shall have the meaning set forth in the first paragraph above.

1.1.86 “LEASE YEAR” shall have the meaning set forth in Subsection 2.1.1.

1.1.87 “LESSEE” shall have the meaning set forth in the first paragraph of this Lease.

1.1.88 “LESSEE SALE PRICE” shall have the meaning set forth in Subsection 11.2.4.

1.1.89 “MAINTENANCE STANDARD” shall have the meaning set forth in Section 10.1.

1.1.90 “MAJOR SUBLEASE” shall have the meaning set forth in Subsection 11.1.1.

1.1.91 “MAJOR SUBLESSEE” shall have the meaning set forth in Subsection 11.1.1.

1.1.92 “MATERIAL MODIFICATION” shall mean a modification to the Development Work (or other Alterations, as applicable) with respect to which any one of the following applies: (1) the total cost of the modifications exceeds one percent (1%) of the total estimated construction cost of the Development Work (or the other Alterations that are then proposed to be constructed by Lessee); (2) the proposed modification is structural in nature; (3) the modification materially affects or is visible from the exterior of the Improvements; (4) the modification is not in compliance with the Permitted Uses under this Lease; (5) the modification changes the size, configuration or number of anchorage slips or end-ties; or (6) the modification pertains to or affects the County Sublease Premises.

1.1.93 “MINIMUM STANDARDS” shall mean the requirements of Policy Statement No. 25 and the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey approved in 1989, as modified by County or the Department from time to time in a manner consistent with commercially reasonable standards applicable to other comparable commercial projects in Marina del Rey.

1.1.94 “MONTHLY MINIMUM RENT” shall have the meaning set forth in Subsection 4.2.1.

1.1.95 “NET AWARDS AND PAYMENTS” shall have the meaning set forth in Section 6.7.

1.1.96 “NET PROCEEDS SHARE” shall have the meaning set forth in Section 4.6.

1.1.97 “NET REFINANCING PROCEEDS” shall have the meaning set forth in Subsection 4.8.5.

1.1.98 “NET TRANSFER PROCEEDS” shall have the applicable meaning set forth in Subsection 4.8.1 or 4.8.2.

1.1.99 “NOTICE OF COMPLETION” shall have the meaning set forth in Subsection 5.7.7.

1.1.100 “OPERATING COVENANT EXCEPTIONS” shall have the meaning set forth in Section 3.3.

1.1.101 “OPTION AGREEMENT” shall have the meaning set forth in the recitals to this Lease.

1.1.102 “OWNERSHIP INTERESTS” shall have the meaning set forth in Subsection 12.1.1.

1.1.103 “PARTIAL TAKING” shall have the meaning set forth in Section 6.5.

1.1.104 “PAYMENT BOND” shall have the meaning set forth in Subsection 5.4.3.2.

1.1.105“PERCENTAGE RENT” shall have the meaning set forth in Subsection 4.2.2.

1.1.106“PERFORMANCE BOND” shall have the meaning set forth in Subsection 5.4.3.1.

1.1.107“PERMITTED CAPITAL EXPENDITURES” shall have the meaning set forth in Section 5.12.

1.1.108“PERMITTED USES” shall have the meaning set forth in Section 3.1.

1.1.109“PORTION SUBJECT TO DEMOLITION” shall have the meaning set forth in Subsection 2.3.2.

1.1.110“POST TERM REMOVAL PERIOD” shall have the meaning set forth in Subsection 2.3.2.

1.1.111“PREMISES” shall mean the real property described on Exhibit A attached to this Lease.

1.1.112“PRIMARY COVERAGE” shall have the meaning set forth in Subsection 9.1.1.

1.1.113“PRIME RATE” shall mean the prime or reference rate announced from time to time by Bank of America, N.A. or its successor, or if Bank of America, N.A. and its successor cease to exist then the prime or reference rate announced from time to time by the largest state chartered bank in California in term of deposits.

1.1.114“PROMENADE” shall have the meaning set forth in Section 15.20.

1.1.115“PROPOSED TRANSFER” shall have the meaning set forth in Subsection 11.2.4.

1.1.116“PUBLIC WORKS DIRECTOR” shall mean the Director of the Department of Public Works of the County of Los Angeles.

1.1.117“PURCHASE MONEY NOTE” shall have the meaning set forth in Subsection 4.7.2.

1.1.118 “RENEGOTIATION DATES” shall have the meaning set forth in Section 4.4.

1.1.119“REPLY” shall have the meaning set forth in Section 16.5.

1.1.120“REQUEST FOR ARBITRATION” shall have the meaning set forth in Section 16(a).

1.1.121“REQUIRED CONSTRUCTION COMMENCEMENT DATE” shall have the meaning set forth in Section 5.1.

1.1.122“REQUIRED CONSTRUCTION COMPLETION DATE” shall have the meaning set forth in Section 5.1.

1.1.123“REQUIRED COST AMOUNT” shall have the meaning set forth in Section 5.1.

1.1.124“RESPONSE” shall have the meaning set forth in Section 16(a).

1.1.125“RESPONDING PARTY” shall have the meaning set forth in Section 16(a).

1.1.126“SEAWALL” shall have the meaning set forth in Section 10.7.

1.1.127“SECOND DOCK REPLACEMENT” shall have the meaning set forth in Section 5.11.

1.1.128“SECTION” shall mean a section of this Lease.

1.1.129“SECURITY DEPOSIT” shall have the meaning set forth in Section 7.1.

1.1.130“SEPARATE DISPUTE” shall have the meaning set forth in Subsection 16.10.1.

1.1.131“SHALL” and “WILL” are mandatory and the word “MAY” is permissive.

1.1.132“SHERIFF/MAINTENANCE DOCKS” shall have the meaning set forth in Section 5.1.

1.1.133“STATE” shall mean the State of California.

1.1.134“STATEMENT OF POSITION” shall have the meaning set forth in Subsection 16.5(2)(a).

1.1.135“SUBLEASE” shall have the meaning set forth in Subsection 11.1.1.

1.1.136“SUBLESSEE” shall have the meaning set forth in Subsection 11.1.1.

1.1.137“SUBSECTION” shall mean a subsection of a Section of this Lease.

1.1.138“substantial completion” means the completion of the Development Work, Second Dock Replacement or other work of Improvement (as applicable), including without limitation, the receipt of a certificate of occupancy (whether temporary or permanent) or other applicable governmental certificate or approval for legal use and occupancy of the subject Improvements (if applicable with respect to the particular work), subject only to minor punch-list items that do not interfere with the use and occupancy of the subject Improvements, provided that any such minor punch-list items are completed in a diligent manner as soon as reasonably possible thereafter.

1.1.139“TERM” shall have the meaning set forth in Subsection 2.1.1.

1.1.140“TIME OF THE ESSENCE” shall have the meaning set forth in Section 15.2.

1.1.141 “UMBRELLA COVERAGE” shall have the meaning set forth in Subsection 9.1.1.

1.1.142“UNINSURED LOSS” shall have the meaning set forth in Section 10.5.

1.1.143“UNREASONABLE COUNTY ACTIVITY” shall have the meaning set forth in subsection 5.6.

1.1.144“WRITTEN APPRAISAL EVIDENCE” shall have the meaning set forth in Section 16.7.

1.2 Lease. For and in consideration of the payment of rentals and the performance of all the covenants and conditions of this Lease, County hereby leases to Lessee, and Lessee hereby leases and hires from County, an exclusive right to possess and use, as tenant, the Premises for the Term (as hereinafter defined) and upon the terms and conditions and subject to the requirements set forth herein.

1.2.1 As-Is. Except as provided in Subsection 1.2.3, Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party as of the Effective Date, and Lessee hereby represents that it has performed all investigations that it deems necessary or appropriate with respect to the condition of the Premises or Improvements. Lessee hereby accepts the Premises on an “AS-IS, WITH ALL FAULTS” basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises or any Improvements located thereon, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, heating, ventilating and air conditioning, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land or Improvements, (ii) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and the Improvements located thereon, (iv) the development potential of the Premises, and the use, habitability, merchantability or fitness, or the suitability, value or adequacy, of the Premises or any Improvements located thereon for any particular purpose, (v) the zoning, entitlements or other legal status of the Premises or Improvements, and any public or private restrictions affecting use or occupancy of the Premises or Improvements, (vi) the compliance of the Premises or Improvements with any applicable codes, rules, regulations, statutes, resolutions, ordinances, covenants, conditions and restrictions or laws of the County, State, United States of America, California Coastal Commission or any other local, state or federal governmental or quasi-governmental entity (“**Applicable Laws**”), including, without limitation, relevant provisions of the Americans with Disabilities Act (“**ADA**”), (vii) the presence of any underground storage tank or Hazardous Substances on, in, under or about the Premises, Improvements, the adjoining or

neighboring property, or ground or other subsurface waters, (viii) the quality of any labor and materials used in any Improvements, (ix) the condition of title to the Premises or Improvements, and (x) the economics of the operation of the Premises or Improvements.

1.2.2 Title. County represents that County owns fee title to the Premises and that County has authority to enter into this Lease. Lessee hereby acknowledges the title of County and/or any other public entity or agency having jurisdiction thereover, in and to the Premises, and covenants and agrees never to contest or challenge the extent of said title, except as is necessary to ensure that Lessee may occupy the Premises pursuant to the terms and conditions of this Lease.

1.2.3 Excluded Conditions. Notwithstanding anything to the contrary set forth herein, the terms and provisions of Subsection 1.2.1 shall not be applicable to any sewer, storm drain or other improvements which have been dedicated to (and such dedication has been accepted by) the Department of Public Works of the County (“**Excluded Conditions**”); provided, however, that this Lease (as opposed to any separate dedication acceptance or other contractual or legal obligation) shall not create any obligation or liability on the part of County with respect to such sewer, storm drain and other improvements.

## 2. TERM; OWNERSHIP OF IMPROVEMENTS.

2.1 Term. The term of the Lease (“**Term**”) shall commence on the Effective Date, and, unless terminated sooner in accordance with the provisions of this Lease, shall expire at 11:59 p.m. on \_\_\_\_\_, which date shall be the day and year immediately preceding the sixtieth (60th) anniversary of the Effective Date. For purposes of this Lease, “**Lease Year**” shall mean each calendar year (or partial calendar) during the Term of this Lease. Notwithstanding the foregoing, with respect to any provision in this Lease that refers to a specified number of Lease Years after the Effective Date, the number of Lease Years after the Effective Date shall be calculated based on the following: (a) if the Effective Date is prior to July 1 of a calendar year, then the first Lease Year after the Effective Date shall mean the period from the Effective Date through December 31 of the calendar year during which the Effective Date occurs, and (b) if the Effective Date is on or after July 1 of a calendar year, then the first Lease Year shall mean the period from the Effective Date through December 31 of the calendar year following the calendar year during which the Effective Date occurs.

2.2 Ownership of Improvements During Term. Until the expiration of the Term or sooner termination of this Lease, and except as specifically provided herein, Lessee shall own all Improvements now existing and constructed by Lessee or its predecessors on the Premises, or hereafter constructed by Lessee upon the Premises, and all alterations, additions or modifications made thereto by Lessee.

2.3 Reversion of Improvements. Upon the expiration of the Term or sooner termination of this Lease, whether by cancellation, forfeiture or otherwise:

2.3.1 County’s Election to Receive Improvements. Unless Lessee is expressly directed by County in writing in accordance with this Section 2.3 to demolish and remove Improvements upon the expiration or earlier termination of the Term, all Improvements located on, in, or under the Premises (including all fixtures or equipment affixed thereto) shall remain

upon and be surrendered with the Premises as part thereof, and title to such Improvements shall vest in County without any compensation to Lessee. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to (a) receive any and all proceeds which are attributable to the Condemnation of Improvements belonging to Lessee immediately prior to the taking of possession by the Condemnor, to the extent provided in Article 6 of this Lease, or (b) remove any furniture or equipment that is neither permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee (as opposed to other signage used in the operation of the Premises and Improvements), or any personal property, upon the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee's obligations under this Lease to use the Premises for the Permitted Uses.

2.3.2 Duty to Remove. No earlier than eleven (11) years, and no later than ten (10) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert reasonably approved by County that details and estimates the cost and required time period for the removal of all Improvements on the Premises at the expiration of the Term (the "**Demolition and Removal Report**").

County may elect to require Lessee at the end of the Term or any earlier termination of this Lease to remove, at the sole cost and expense of Lessee, all or any portion of the Improvements located on, in or under the Premises, whether placed or maintained thereon by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings; provided, however, such portion ("**Portion Subject to Demolition**") of the Improvements designated by County for demolition must be able to be demolished separately from other portions of the then-existing Improvements which County has designated to remain. Lessee shall complete the required demolition and removal and shall restore and surrender to County possession of the Premises in the following condition: (a) as to any portion of the Premises on which the Improvements are required to be demolished, such portion of the Premises shall be surrendered to County in good, usable and buildable condition, consisting of, in the case of land, a level, graded buildable pad with no excavations, hollows, hills or humps; and (b) as to any portion of the Premises on which the Improvements are not required to be demolished, the Premises and such Improvements shall be surrendered to County in the condition in which the Premises and Improvements are required to be maintained and repaired under this Lease.

In the case of the termination of the Lease at the scheduled expiration date of the Term, any election by County to require Lessee to demolish and remove the Improvements or a Portion Subject to Demolition must be made by County in writing to Lessee ("**County Removal Notice**") by the later of (a) one (1) year following delivery by Lessee to County of the Demolition and Removal Report, or (b) nine (9) years prior to the then-scheduled expiration date of the Term. If County elects to require Lessee to demolish and remove all of the Improvements or a Portion Subject to Demolition, Lessee shall complete such demolition and removal and otherwise comply with Lessee's surrender obligations under this Section 2.3 on or before the expiration of the Term of the Lease. In the case of the termination of the Lease at the scheduled expiration date of the Term, Lessee shall have the right, by written notice to County not later than thirty (30) days prior to the scheduled expiration date of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender obligations under this Subsection 2.3.2 and/or the Lessee's removal obligations under Subsection 2.3.4 below to a date not more than one hundred



twenty (120) days after the expiration of the Term (the “**Post Term Removal Period**”); provided, however, that all of the Lessee’s obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises or to maintain and repair those Improvements required to be demolished) shall be applicable during the Post Term Removal Period, including without limitation, the Lessee’s obligations with respect to insurance and indemnification, and Lessee’s obligation to pay County compensation for the Post Term Removal Period in an amount equal to the Monthly Minimum Rent rate in effect immediately prior to the expiration of the Term multiplied by the number of months in the Post Term Removal Period. Such Monthly Minimum Rent amount for the entire Post Term Removal Period shall be paid by Lessee in advance prior to the commencement of the Post Term Removal Period.

In the case of a termination of the Lease prior to the scheduled expiration date of the Term, any election by County to require Lessee to remove the Improvements or a Portion Subject to Termination must be made by County’s delivery of the County Removal Notice not later than sixty (60) days after the effective date of such termination, and if County elects to require Lessee to demolish and remove all or a portion of the Improvements on a termination of the Lease prior to the scheduled expiration of the Term, Lessee shall complete such demolition and removal and otherwise comply with Lessee’s surrender obligations under this Section 2.3 on or before the later of (a) ninety (90) days after the date on which this Lease terminated, or (b) if Lessee has submitted a Demolition and Removal Report to County, that period after the date on which this Lease terminated equal to the estimated demolition and removal period set forth in the Demolition and Removal Report.

Upon receipt of a County Removal Notice, Lessee shall within ninety (90) days after receipt of the County Removal Notice, provide County with a written plan which sets forth Lessee’s proposed method of securing the discharge of Lessee’s removal and restoration obligations pursuant to this subsection. Such security plan shall detail (i) the form of security proposed by Lessee, which security shall be either a deposit of funds, or a letter of credit, bond or other form of security in form and amount, and from an issuer, satisfactory to County (“**Demolition Security**”), and (ii) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (i) above, which schedule shall in all events provide for a full funding of the security not later than two (2) years prior to the expiration of the Term. The amount of any Demolition Security shall be equal to the estimated costs to remove the Improvements as set forth in the Demolition and Removal Report (the “**Estimated Costs**”), adjusted to reflect the percentage change in the ENR Index from the date on which the Estimated Cost was determined until the date on which Lessee delivers the Demolition Security. Thereafter, Lessee shall increase the amount of the Demolition Security on an annual basis (on or before each successive anniversary of the required date for Lessee’s original delivery to County of the Demolition Security) by the same percentage as the percentage increase (if any) in the ENR Index over the preceding year. Lessee shall have the right to use surplus funds in the Capital Improvement Fund towards satisfaction of the Demolition Security requirements under this Subsection 2.3.2 to the extent permitted under the last paragraph of Section 5.12. Any uncured failure by Lessee to deliver the Demolition Security described in this Subsection 2.3.2 shall constitute an Event of Default. County shall have the right to revoke County’s election to require the removal of all Improvements or a Portion Subject to Demolition at the end of the scheduled expiration of the Term of the Lease by written notice to Lessee of such revocation at any time not later than ninety (90) days prior to the scheduled expiration date of the Lease. If County revokes its prior County Removal Notice, then any

Demolition Security previously delivered by Lessee to County pursuant to this paragraph shall be returned to Lessee within thirty (30) days following the date of such revocation. Upon completion of all of Lessee's obligations under this Section 2.3, the remaining balance of any Demolition Security held by County (and not used by County pursuant to Subsection 2.3.3 or 2.3.4 below) shall be returned to Lessee.

If County fails to elect to require Lessee to remove all of the Improvements on the Premises in accordance with the terms of this Section 2.3 (or revokes such election as provided above), then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall surrender possession to County of the Premises and those Improvements not required to be removed by Lessee, in the condition in which such Improvements are required to be repaired and maintained under this Lease.

**2.3.3 County's Right to Remove Improvements.** If County elects to have Lessee demolish and remove Improvements and Lessee fails to do so in accordance with this Lease, County may, at its election, retain, sell, remove or demolish such Improvements. In the event of any demolition or removal by County of Improvements required to have been demolished and removed by Lessee, Lessee shall reimburse County for any Actual Costs incurred by County in connection with such demolition and removal in excess of any funds used by County from the Demolition Security for such purpose and any consideration received by County as a result of any sale of the demolished Improvements; provided, however, that County shall be under no obligation to Lessee to effectuate any such sale or, in the case of a sale, to obtain any required level of compensation therefor.

**2.3.4 Duty to Remove Personal Property.** No later than the expiration of the Term or sooner termination of this Lease (subject to Lessee's rights with respect to the Post Term Removal Period described in Subsection 2.3.2 above), Lessee shall in all events remove, at its cost and expense, all furniture, equipment and other personal property that is not affixed to the Improvements or reasonably necessary for the orderly operation of the Premises or Improvements. Should Lessee fail to remove such furniture, equipment and other personal property within said period, and said failure continues for ten (10) days after written notice from County to Lessee, Lessee shall lose all right, title and interest therein, and County may elect to keep the same upon the Premises or to sell, remove, or demolish the same, in which event Lessee shall reimburse County for its Actual Costs incurred in connection with any such sale, removal or demolition in excess of any consideration received by County as a result thereof.

**2.3.5 Title to Certain Improvements Passes to County; Lessee to Maintain.** As between County and Lessee, title to all utility lines, transformer vaults and all other utility facilities constructed or installed by Lessee upon the Premises shall vest in County upon construction or installation to the extent that they are not owned by a utility company or other third party provider. Notwithstanding the foregoing sentence, such utility lines, transformer vaults and all other utility facilities (other than any sewer, storm drain or other utility systems which have been dedicated to and accepted by County pursuant to a dedication separate from this Lease), shall be maintained, repaired, and replaced, if and as needed, by Lessee during the Term.

### **3. USE OF PREMISES.**

3.1 Specific Primary Use. The Premises and Improvements shall be used for the operation and management of a boat storage facility with associated ancillary related uses, including the uses of the County Sublease Premises permitted under the County Sublease (collectively, the foregoing shall be referred to herein as the “**Permitted Uses**”). Except as specifically provided herein, the Premises and Improvements shall not be used for any purpose other than the Permitted Uses, without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 Prohibited Uses. Notwithstanding the foregoing:

3.2.1 Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises or the Improvements, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Premises, except for trash collected in appropriate receptacles intended for such purposes, nor shall any portion of the Premises or Improvements be permitted to be operated or maintained in a manner that renders the Premises or Improvements a fire hazard.

3.2.2 Restrictions and Prohibited Uses. Without expanding upon or enlarging the Permitted Uses of the Premises and Improvements as set forth in this Lease, the following uses of the Premises and Improvements are expressly prohibited:

3.2.2.1 The Premises and Improvements shall not be used or developed in any way which violates any Applicable Law.

3.2.2.2 The Premises and Improvements shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity;

3.2.2.3 All Improvements shall at all times be kept in good condition and repair consistent with the requirements of Section 10.1 of this Lease, except as such condition is affected by the performance of the Development Work, Second Dock Replacement or other Alterations in accordance with the requirements of Article 5 of this Lease.

3.2.2.4 No condition shall be permitted to exist upon the Premises or Improvements which induces, breeds or harbors infectious plant diseases, rodents or noxious insects, and Lessee shall take such measures as are appropriate to prevent any conditions from existing on the Premises or Improvements which create a danger to the health or safety of any persons occupying, using, working at, or patronizing the Premises or Improvements.

3.2.2.5 Without the prior written reasonable approval of Director, no antennae or other device for the transmission or reception of television signals or any other form of electromagnetic radiation (collectively, “**antennae**”) shall be erected, used or maintained by Lessee outdoors above ground on any portion of the Premises, whether attached to an improvement or otherwise; provided that (a) the foregoing requirement to obtain Director’s approval as to any antennae shall be inapplicable to the extent that such requirement violates Applicable Law; (2) this

paragraph shall not pertain to an antennae located on a boat to the extent that such antennae is consistent with antennae typically operated on such a boat; and (3) Director shall not unreasonably withhold approval of any satellite dish or communication antennae installed as an incident to the use of subleased space for purposes other than the operation of a satellite or communications business, and that is not greater than 18' in diameter and is screened from general view in a manner reasonably acceptable to Director.

3.2.2.6 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except (i) as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease, and (ii) for such boring or drilling as necessary to perform water testing or monitoring, or any dewatering program to relieve soil water pressure.

3.2.2.7 Except for the Excluded Conditions and the Seawall, no adverse environmental condition in violation of Applicable Laws shall be permitted to exist on or in any portion of the Premises or the Improvements, nor shall any Hazardous Substances be permitted to be generated, treated, stored, released, disposed of, or otherwise deposited in or on, or allowed to emanate from, the Premises, the Improvements or any portion thereof, including, without limitation, into subsurface waters; provided, however, that Hazardous Substances may be stored or used on the Premises or in the Improvements, so long as such storage and use is of a type and quantity, and conducted in a manner (a) in the ordinary course of business of an otherwise Permitted Use, (b) in accordance with standard industry practices for such Permitted Use, and (c) in compliance with all Applicable Laws.

This Subsection 3.2.2.7 shall not impose liability upon Lessee to County for any Hazardous Substances that might be present in seawater passing over, under, through or around any portion of the Premises or any Improvement as long as (I) such Hazardous Substances did not originate at or from the Premises or Improvements, and (II) with respect to Hazardous Substances that did not originate at or from the Premises or Improvements, were not caused by the acts or omissions of Lessee or its Sublessees, or its or their respective contractors, employees, agents, representatives, consultants, customers, visitors, permittees or licensees.

3.2.3 Prohibition Against Boat Brokerage Activity. Except in accordance with this Subsection 3.2.3, the Premises and Improvements shall not be used for the storage of boats by boat dealers, brokers or other parties generally engaged in the sale or leasing of boats (collectively, “**Boat Brokers**”). Notwithstanding any contrary provision of this Lease, there shall be no exhibition, display or showing of boats for sale or lease from or on the Premises nor shall any other boat sale or leasing activity be conducted from or on the Premises (collectively, “**Boat Brokerage Activity**”). Subject to the immediately preceding sentence, Lessee shall have the right to enter into one or more Subleases with or for one or more Boat Brokers for the dry storage or mast-up storage only (but not for the exhibit, deploy or showing of boats, nor the conduct of boat sale or leasing activity) of up to the following maximum aggregate number of boats on the Premises at any one time: the lesser of (a) fifteen percent (15%) of the total number of boats that can be stored at the Premises at full capacity; or (b) fifty percent (50%) of the boat storage vacancy in effect from time to time (calculated by treating boats stored for boat brokers as vacant boat storage). A Sublease for the purpose of the storage of boats by or for a Boat Broker shall be subject to

Director's prior approval, which approval shall not be unreasonably withheld. During any period in which Lessee has knowledge that one or more Subleases are in effect for the storage of boats by or for a Boat Broker, Lessee shall provide a written monthly report to Director that sets forth the following with respect to each such Sublease as to which Lessee has knowledge: (i) the name of each Sublessee (and the associated Boat Broker if different than the name of the Sublessee), and (ii) the number and identification of the boats stored under such Sublease. Lessee shall use its diligent efforts to enforce the prohibition in this Subsection 3.2.3 against Boat Brokerage Activity. If any Boat Brokerage Activity is conducted from or on the Premises, Lessee shall pay to County a fee in the amount of ten percent (10%) of the gross sales price or leasing rentals paid in connection with any sale or lease of boats from or on the Premises (the "**Boat Brokerage Fee**"). The Boat Brokerage Fee shall constitute additional Percentage Rent payable under this Lease. Each and every Sublease (including Subleases with or for Boat Brokers for storage of boats) shall expressly prohibit the conduct of Boat Brokerage Activity from or on the Premises and shall provide, in addition to any other rights and remedies that Lessee or County may have against such Sublessee for violation of the prohibition against Boat Brokerage Activity, that a breach of such prohibition shall constitute a default by the Sublessee under the Sublease that permits immediate termination of the Sublease and obligates the Sublessee to pay the Boat Brokerage Fee to Lessee for remittance to the County. Each Sublease shall provide, and Lessee hereby agrees, that County shall have the right (but not the obligation) to directly enforce each Sublease and collect the payment of any required Boat Brokerage Fee directly from a Sublessee. If Lessee diligently enforces the prohibition against Boat Brokerage Activity, including the diligent enforcement of the collection of any Boat Brokerage Fee payable as a result of a violation thereof, then Lessee shall not be in default under this Lease and Lessee shall not be obligated to pay to County any Boat Brokerage Fee resulting from a Sublessee's violation of the Boat Brokerage Activity prohibition until Lessee receives the Boat Brokerage Fee from the violating Sublessee. In order for Lessee to be considered to have diligently enforced the prohibition against Boat Brokerage Activity, (1) Lessee must diligently monitor and inquire as to the existence of any Boat Brokerage Activity from or on the Premises; (2) upon receipt of information of the existence of any Boat Brokerage Activity from or on the Premises, Lessee shall promptly issue a notice of default to the violating Sublessee and impose payment by such Sublessee of a Boat Brokerage Fee with respect to each violative boat sale or lease; and (3) if within ten (10) days after receipt of such notice of default Lessee does not surrender possession of its subleased premises and pay any unpaid Boat Brokerage Fee, then Lessee shall commence legal action against such Sublessee to terminate Sublessee's possession under the subject Sublease and to collect the Boat Brokerage Fee, and to diligently prosecute such legal action to completion.

3.2.4 Prohibition Against Operation of Public Fuel Dock. Notwithstanding any contrary term or provision of this Lease, Lessee shall not operate from or on the Premises a fuel service dock facility serving boats or other watercraft; provided, however, that Lessee shall be entitled to sell or dispense fuel for the limited purpose of "topping off" of small vessels used for pleasure use that are stored or occupy slips at the Premises.

3.3 Active Public Use. The parties acknowledge that County's objective in entering into this Lease is the complete and continuous use of the facilities and amenities located in Marina del Rey by and for the benefit of the public, without discrimination as to race, gender or religion, and for the generation and realization by County of revenue therefrom. Accordingly, Lessee agrees and covenants that it will operate the Premises and Improvements fully and continuously (except

to the extent that Lessee is prevented from doing so due to Force Majeure, temporary interruption as necessary for maintenance and repair, or temporary interruption as necessary to accommodate renovation, alteration or other improvement work required or permitted to be performed by Lessee under this Lease (collectively, “**Operating Covenant Exceptions**”)) in light of these objectives, consistent with the operation of comparable anchorage and related commercial facilities, and that it will use commercially reasonable efforts so that County may obtain maximum revenue therefrom as contemplated by this Lease. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

3.4 Days of Operation. The Promenade (as defined in Section 15.20) shall be open every day of the year, except for any closure approved by Director required to perform (a) any Alteration permitted under this Lease, or (b) maintenance, repair, replacement or restoration work permitted or required under this Lease. Any changes in the days or hours of operation of the Promenade shall be subject to the written approval of Director, which approval shall not be unreasonably withheld, conditioned or delayed. The other Improvements on the Premises shall be open every day of the year for at least hours commensurate with the hours of operations of other similar facilities in Southern California, subject to the Operating Covenant Exceptions and except for such holidays, if any, during which similar businesses are customarily closed. The provisions of this Section 3.4 shall not be applicable to the County Sublease Premises as long as the County Sublease remains in effect.

3.5 Signs and Awnings. Any and all art, displays, identifications, monuments, awnings, advertising signs and banners which are placed on, or are visible from, the exterior of the Premises or Improvements shall be only of such size, design, wording of signs and color as shall have been specifically submitted to and approved by Director (and to the extent required under then Applicable Law, the Design Control Board), in writing, whether pursuant to Article 5 of this Lease or otherwise, prior to the erection or installation of said art, sign, display, identification, monument, awning or advertising sign. Director shall not unreasonably withhold its approval of the matters described in this Section 3.5. Any dispute as to whether Director has unreasonably withheld its approval of a matter described in this Section 3.5 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all required licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises or Improvements. Without limitation of the foregoing, Lessee shall comply with (i) all conditions and requirements of Coastal Development Permit No(s). \_\_\_\_\_ **[PRIOR TO LEASE EXECUTION INSERT COASTAL DEVELOPMENT PERMIT NO(S). ISSUED FOR DEVELOPMENT WORK]**, and (ii) all public access requirements of the Marina del Rey Local Coastal Program, as amended.

3.7 Rules and Regulations. Lessee agrees to comply with such other reasonable rules and regulations governing the use and occupancy of the Premises and Improvements as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to other anchorage and related commercial facilities in Marina del Rey, and delivered in writing to Lessee. Any dispute as to whether County has acted unreasonably in connection with the matters described in this Section 3.7 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.8 Reservations. Lessee and County expressly agree that this Lease and all of Lessee's rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way existing as of the Effective Date or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, and also subject to any other encumbrances, reservations, licenses, easements and rights of way consented to by Lessee in writing.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior matters of record and the right of County or City existing as of the Effective Date or otherwise disclosed to or known to Lessee, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City to convey such easements and transfer such rights to others. Notwithstanding the foregoing or anything herein to the contrary, County agrees to cooperate with Lessee, at Lessee's cost, in Lessee's efforts to address title matters, if any, which would prevent Lessee from proceeding with the Development of the Premises in accordance with the Development Work, as long as such efforts do not materially adversely affect the County (e.g., cooperating with Lessee in the relocation at Lessee's cost of any easements which interfere with the Development Work, to the extent such relocation is reasonably acceptable to County). County specifically agrees that any County reserved rights and easements under this Lease are subject to the right of Lessee to maintain the building overhangs into such areas as constructed in accordance with the Final Plans and Specifications.

3.9 CASp Disclosure. For purposes of Section 1938 of the California Civil Code, County hereby discloses to Lessee, and Lessee hereby acknowledges, that the Premises has not undergone an inspection by a Certified Access Specialist.

#### 4. PAYMENTS TO COUNTY.

4.1 Net Lease. The parties acknowledge that the rent to be paid by Lessee under this Lease is intended to be absolutely net to County. The rent and other sums to be paid to County hereunder are not subject to any credit, demand, set-off or other withholding. Except as specifically set forth herein, Lessee shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Premises and Improvements, including without limitation the parking areas included within the Premises.

4.1.1 Utilities. In addition to the rental charges as herein provided, Lessee shall pay or cause to be paid all utility and service charges for furnishing water, power, sewage disposal, light, telephone service, garbage and trash collection and all other utilities and services, to the Premises and Improvements.

4.1.2 Taxes and Assessments. Lessee agrees to pay before delinquency all lawful taxes, assessments, fees, or charges which at any time may be levied by the State, County, City or any tax or assessment levying body upon any interest in this Lease or any possessory right which Lessee may have in or to the Premises or the Improvements thereon for any reason, as well as all taxes, assessments, fees, and charges on goods, merchandise, fixtures, appliances, equipment, and

property owned by it in, on or about the Premises. Lessee's obligation to pay taxes and assessments hereunder shall include but is not limited to the obligation to pay any taxes and/or assessments, or increases in taxes and/or assessments arising as a result of the grant to Lessee of the Option or Lessee's exercise thereof. Lessee shall have the right to contest the amount of any assessment imposed against the Premises or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein are derived from the Lessee's interest under this Lease and that Lessee's interest requires the payment of a possessory interest tax.

4.2 Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County (a) the Annual Minimum Rent described in Subsection 4.2.1 below, and (b) the Percentage Rent described in Subsection 4.2.2 below. For purposes of this Lease "**Annual Rent**" shall mean the aggregate of the Annual Minimum Rent and Percentage Rent.

4.2.1 Annual Minimum Rent and Monthly Minimum Rent. Lessee shall pay to County the minimum rent described in this Subsection 4.2.1 (subject to adjustment pursuant to Sections 4.3 and 4.4 below) during the Term (the "**Annual Minimum Rent**"). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Minimum Rent (the "**Monthly Minimum Rent**"); provided, however, if any period during which the Annual Minimum Rent is calculated is shorter or longer than a calendar year, then the Annual Minimum Rent for such period shall be calculated on a pro rata basis based on the number of days in the applicable period as compared to 365, and Monthly Minimum Rent shall be payable in equal monthly installments of such pro rata Annual Minimum Rent.

4.2.1.1 During the period from the Effective Date through the earlier of the CO Date or the Required Construction Completion Date (the "**Construction Period**"), the Annual Minimum Rent shall be Seventy-Five Thousand Dollars (\$75,000.00) per year; provided, however, that in recognition of certain costs incurred by Lessee in the amount of Twenty Eight Thousand Five Hundred Dollars (\$28,500) in connection with obtaining Entitlements (as defined in the Option Agreement) for the Development Work, the first \$28,500 of Minimum Rent for the Construction Period shall not be required to be paid by Lessee. Lessee shall provide written notice to County of the CO Date promptly upon the occurrence thereof.

4.2.1.2 For the three (3) year period following the end of the period described in subsection 4.2.1.1 above, the Annual Minimum Rent per year shall be as follows: (a) Seventy-Five Thousand Dollars (\$75,000.00) for the first year of such period, (b) One Hundred Fifty Thousand Dollars (\$150,000.00) for the second year of such period, and (c) Two Hundred Fifty Thousand Dollars (\$250,000.00) for the third year of such period.



4.2.1.3 As of the date immediately following the period described in subsection 4.2.1.2 above (the “**First Adjustment Date**”) and thereafter during the remainder of the Term, the Annual Minimum Rent shall be adjusted in accordance with the terms and provisions of Sections 4.3 and 4.4 below.

4.2.2 Percentage Rent. For the purposes of this Lease, “**Percentage Rent**” for any given month or year shall be defined as the sum of the amounts set forth in this Subsection 4.2.2, less the Annual Minimum Rent for such month or year. Gross Receipts (as defined herein) from each transaction, sale or activity of Lessee (or any Sublessee) on, from or within the Premises or Improvements shall be reported under one or more of the percentage categories set forth below, as applicable. It is understood that Article 3 of this Lease provides for the Permitted Uses of the Premises and that the percentage categories listed below are not all applicable to this Lease and are in no way intended to expand or modify the Permitted Uses. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel, has interpreted and may further interpret the percentage categories as set forth in this Subsection 4.2.2, with such determinations and interpretations to be a guideline in determining the appropriate categories. Within fifteen (15) days after the close of each and every calendar month of the Term, Lessee shall file a report of Gross Receipts and pay to County a sum equal to the total of the following percentages of Gross Receipts for such previous month, less the amount of the installment of Monthly Minimum Rent paid for such previous month.

(a) TWENTY FIVE PERCENT (25%) of Gross Receipts or other fees for the rental or use of boat slips, anchorages, moorings, dockside storage space, and other water-side facilities and services ancillary thereto as are generally provided in common to tenants thereof, including receipts obtained from persons who live on their boats;

(b) TWENTY PERCENT (20%) of Gross Receipts from the rental or other fees charged for the use of dry stack storage, mast-up storage, trailer storage or any other dry or landside storage facilities; provided, however, that if for any of the three separate years described in subsection 4.2.1.2 above the average dry stack storage occupancy rate for such year is less than the applicable minimum occupancy rate for such year set forth below, then for such year (and such year only) the Gross Receipts percentage applicable to this category (b) shall be reduced to SIXTEEN PERCENT:

<u>Year</u>	<u>Minimum Occupancy Rate</u>
1	33%
2	66%
3	75%

(c) TWELVE AND ONE-HALF PERCENT (12.5%) of Gross Receipts or other fees charged for the rental, use or occupancy of (1) offices utilized for banking, financial or investment activities, internal clerical or administrative activities (other than Lessee’s management office), business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, yacht club purposes, or similar uses; or (2) restaurants, stores, shops, or other commercial establishments; provided that, except as provided in Subsection 4.2.2.5, Gross Receipts or other fees charged for the occupancy of restaurants, stores, shops or other commercial

establishments shall not be included in the calculation of Percentage Rent under this category (c) if the Gross Receipts from the operation of such businesses (as opposed to the rentals paid for the rental, use or occupancy of the space) are required to be reported under another Percentage Rent category;

(d) INTENTIONALLY DELETED;

(e) With respect to services where earnings are normally on a commission basis, FIVE PERCENT (5%) of the Gross Receipts received by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if Lessee (or an affiliate of Lessee or a subtenant) is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if a third party provider is the operator of such enterprise; provided, however, that this category (e) shall not apply to Boat Brokerage Activity, which shall be controlled by Subsection 3.2.3 of this Lease;

(f) With respect to service enterprises, including, without limitation, cable television, internet, satellite, telecommunication or other antennae fees, telephone and other utility services, and valet parking services, FIVE PERCENT (5%) of the Gross Receipts received by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if Lessee (or an affiliate of Lessee or such subtenant) is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if a third party provider is the operator of such enterprise;

(g) SIX PERCENT (6%) of the Gross Receipts received by Lessee (or a subtenant) if Lessee (or a subtenant) is the operator of the enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee (or an affiliate of Lessee or a subtenant) if a third party provider is the operator of the enterprise, from the rental of boats or from other commercial boating activities including, but not limited to, charter boats, bareboat charters and sport fishing, or from the rental of bicycles, cycles carriages, scooters or other similar equipment;

(h) With respect to the installation or operation of coin-operated vending or service machines, including pay telephones, FIVE PERCENT (5%) of the Gross Receipts received by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if Lessee (or an affiliate of Lessee or a subtenant) is the operator of such enterprise, or TWENTY-FIVE PERCENT (25%) of any commissions or fees collected by Lessee (or an affiliate of Lessee or a subtenant) from such enterprise if a third party provider is the operator of such enterprise;

(i) TEN PERCENT (10%) of Gross Receipts from the operation of a bar, tavern, cocktail lounge, discotheque, night club or other facilities engaged primarily in the on-premises sale of alcoholic beverages, except as provided for in category (j);

(j) THREE AND ONE-HALF PERCENT (3½%) of Gross Receipts from the operation of a restaurant, restaurant/cocktail lounge combination, coffee shop, beach or theater food facility, except that Gross Receipts from facilities established and operated as a take-out food operation shall be reported under category (r) below; a “take-out food operation” shall mean a restaurant or other food operation a majority of the Gross Receipts from which are derived from the sale of food or beverages to be consumed off-site;

(k) FIFTEEN CENTS (\$0.15) per gallon of gasoline, diesel fuel, mixed fuel or other fuel sold from or at the Premises and SIX PERCENT (6%) of Gross Receipts from the sale of non-fuel petroleum products from or at the Premises;

(l) FIFTEEN PERCENT (15%) of Gross Receipts from club dues, initiation fees and assessments, except that separate assessments for capital improvements may be exempted; provided that to qualify for such an exemption Lessee must comply with the “Criteria for Eligibility for Exemption of Special Assessments from Gross Receipts” issued by Director;

(m) That percentage determined pursuant to category (t) below, of Gross Receipts from the operation of excursion, sightseeing or tour boats, or any water taxi;

(n) FIVE PERCENT (5%) of Gross Receipts from boat haul-out or repair, including maintenance, repair, painting, tugboat, salvage and boat pump-out services and similar activities;

(o) SEVEN AND ONE-HALF PERCENT (7.5%) of Gross Receipts in connection with filming or other television or motion picture activities;

(p) FIVE PERCENT (5%) of Gross Receipts of cover charges or other fees charged for admission to facilities featuring entertainment, excluding movie theaters, whose Gross Receipts shall be reportable under category (r) below;

(q) (1) In the case where parking facilities are operated by a third party operator under a parking operation agreement with Lessee or a Sublessee, (i) TWENTY PERCENT (20%) of the fee or other compensation paid by such third party operator to Lessee (or Sublessee) if the operator is entitled to receive parking revenue and is responsible for the payment of operating expenses; or (ii) SEVEN AND ONE-HALF PERCENT (7.5%) of the Gross Receipts from the operation of such parking if the operator collects such Gross Receipts on behalf of Lessee (or Sublessee) and Lessee (or Sublessee) is responsible for the payment of the operating expenses for such parking operation (which operating expenses include a fee or other compensation to the parking operator for the rendering of such parking services); or

(2) In the case where parking facilities are operated by Lessee or a Sublessee, SEVEN AND ONE-HALF PERCENT (7.5%) of Gross Receipts from such parking.

Notwithstanding the foregoing, Gross Receipts from the operation of parking facilities in connection with another use category under this Subsection 4.2.2 shall be considered Gross Receipts under such other use category if the percentage rate for such other use category results in a greater Percentage Rent payable with respect to such parking Gross Receipts.

(r) FIVE PERCENT (5%) of Gross Receipts from the sale of miscellaneous goods and services consistent with the Permitted Uses, but not specifically provided for elsewhere in this Subsection 4.2.2;

(s) FIVE PERCENT (5%) of the Gross Receipts from the operation of all stores, shops or boutiques selling items at retail; and

(t) If with the prior approval of County or Director Lessee hereafter engages in a use that is not currently permitted under this Lease and as to which there is no specific percentage set forth above applicable to such additional or related use, then concurrent with the approval by County or Director of such specific additional use, Director and Lessee shall negotiate in good faith with Lessee to establish the specific percentage to be applied to such use. Such percentage shall be the greater of (1) the average percentage of Gross Receipts received by County with respect to that category of activities within Marina del Rey, California at the time of approval of the additional or related use, and (2) the most recent agreement between County and a Marina del Rey lessee, whether by arbitration or otherwise, with respect to the appropriate percentage to be applied to that use. The Percentage Rent for the additional or related use as determined pursuant to this paragraph shall remain in effect until the next Renegotiation Date.

4.2.2.2 Other Activities. If Director or Lessee reasonably determine that a percentage of Gross Receipts is not suitable or applicable for a particular activity not described above, although permitted hereunder, Director and Lessee shall mutually establish a minimum monthly payment to County as payment for the privilege of engaging therein, which shall remain effective until the next Renegotiation Date. Said minimum monthly amount shall be reasonable in accordance with the revenue generated by such activity and shall be included in Percentage Rent, as determined hereunder, in lieu of a percentage of Gross Receipts therefor.

4.2.2.3 Payment of Percentage Rent/Accounting Records and Procedures. Within fifteen (15) days after the close of each and every calendar month of the Term hereof, Lessee shall file with County a report of Gross Receipts by category for such previous month, and the amount of Percentage Rent resulting therefrom. Lessee shall include with such report a payment to County of the amount by which the Percentage Rent for such previous month exceeds the Monthly Minimum Rent paid by Lessee for such previous month. Lessee agrees to and shall comply with, and shall cause all of Sublessees to agree to and comply with, the recordkeeping and accounting procedures, as well as the inspection and audit rights granted to County, set forth in Article 14 of this Lease.

4.2.2.4 Gross Receipts. Except as herein otherwise provided, the term “**Gross Receipts**” as used in this Lease means all money, cash receipts, or other things of value, including but not limited to gross charges, sales, rentals, common area maintenance payments, operating expense reimbursements, fees and commissions made or earned by Lessee and/or all Sublessees, from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale of goods, wares or merchandise, calculated in accordance with the accounting method described in the last sentence of Section 14.1.

(1) Except as otherwise set forth herein, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, without limitation, salaries, wages, costs of goods, interest, debt amortization, rent credit (but the value of any free rent period shall not be imputed as Gross Receipts), collection costs, discounts from credit card operations (except as provided in subsection (5)(i) below), insurance and taxes.

(2) Gross Receipts shall not include direct taxes imposed upon the consumer and collected therefrom by Lessee such as, without limitation, retail sales taxes, excise

taxes, or related direct taxes paid periodically by Lessee to a governmental agency accompanied by a tax return statement.

(3) Gross Receipts shall not include security deposits paid by a Sublessee to Lessee to be held by Lessee as security for Sublessee's obligations under its Sublease, license or permit, except to the extent Lessee allocates or applies any portion of such security deposit to unpaid rent or other amounts owed by such Sublessee to Lessee, in which event the sum so allocated or applied shall be included in Gross Receipts as of the date of such allocation or application.

(4) Gross Receipts must include the usual charges for any services, goods, rentals or facilities provided by Lessee or Sublessees. Bona fide bad debts actually accrued for amounts owed by Sublessees, concessionaires, customers or patrons may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

(5) Gross Receipts shall not include any of the following items; provided, however, that the non-inclusion in Gross Receipts of the following items shall not be construed or interpreted to permit the reduction of, or any offset against, Gross Receipts by or for the amount of such items:

a. goods returned to suppliers or which are delivered for resale (as opposed to delivery) to another retail location or to a warehouse or to any retailers without profit to Lessee, where such returns or deliveries are made solely for the convenient operation of the business of Lessee or Sublessee and not for the purpose of consummating a sale made in, about or from the Premises;

b. an amount equal to the cash refunded or credit allowed on merchandise returned by customers and accepted by Lessee, or the amount of cash refunded or credit allowed thereon in lieu of Lessee's acceptance thereof, but only to the extent that the sales relating to such merchandise were made in, about or from the Premises; provided that whenever Lessee accepts a credit slip as payment for goods or services, the amount of credit shall be included in Gross Receipts;

c. sales of fixtures, equipment or property which are not Lessee's stock in trade;

d. receipts from insurance claims other than rental interruption or business interruption insurance related to the replacement of Gross Receipts;

e. interest earned by Lessee on funds arising from the Premises or the use thereof, deposited or maintained by Lessee in banks or similar financial institutions;

f. tips and gratuities paid to employees;

g. goods or meals provided to employees of the business operation at cost or less, and complimentary meals offered for promotional purposes; provided, however, that the amounts excluded under this paragraph (g) in connection with a particular business operation shall not exceed two percent (2%) of the Gross Receipts from such business operation in any year;

h. receipts from vending machines used solely by employees of the business operation;

i. fees or charges paid to credit card companies in connection with customer purchases made by use of a credit card; provided, however, that the amounts excluded under this paragraph (i) in connection with a particular business operation shall not exceed the actual charges for such matters;

j. interest or other charges paid by customers of Sublessees for the extension of credit; and

k. the sale of promotional merchandise by Sublessees at cost.

(6) Gross Receipts shall not include payments received by Lessee from a Sublessee for the Cost of such Sublessee's submetered electricity, provided (A) each Sublessee's obligation to reimburse Lessee for such Sublessee's electrical charges is separate and apart from such Sublessee's obligation to pay rent for its occupancy of the Premises; (B) the reimbursed sum is in an amount equal to the Cost of the Sublessee's electricity; and (C) the amount received is actually credited against the cost of the Sublessee's electricity. For the purpose of this paragraph (6), the "**Cost**" of a Sublessee's electricity shall mean the actual out-of-pocket costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility's electric bill that is allocable to the Sublessee based on such Sublessee's submetered consumption of electricity, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced. County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease. The terms and provisions of this paragraph 6 shall also be applicable to other submetered utility charges, such as water and gas, to the extent that it is customary for Sublessees to be responsible for such other utility charges.

4.2.2.5 Excess Payments Credit. If payments of Monthly Minimum Rent and Percentage Rent actually made by Lessee in a particular Lease Year exceed the total Annual Minimum Rent and Percentage Rent that would have been due for such Lease Year if computed on an annual basis at the end of such Lease Year, Lessee shall be permitted to credit that excess amount ("**Excess Percentage Rent Payment**") against the succeeding monthly installments of Percentage Rent otherwise due under this Subsection 4.2.2 until such time as the entire Excess Percentage Rent Payment has been recouped. If Lessee makes an Excess Percentage Rent Payment in the final Lease Year of the Term, County shall refund such amount to Lessee within thirty (30) days after County's verification of such overpayment, which County agrees to use its reasonable

efforts to diligently complete after receipt by County of all information required for County to calculate the Excess Percentage Rent Payment and to resolve any audits of Percentage Rent.

4.2.2.6 Effect of Sublessee Doing Business. Except as specifically provided to the contrary in this Lease, where a Sublessee is conducting a business or engaged in any use or occupation or any combination thereof on Lessee's leasehold except for a business conducted under Item (1) of category (c) of Subsection 4.2.2, for purposes of determining Percentage Rent Lessee shall report whichever of the following results in the greater Percentage Rent: (i) the Gross Receipts received by each Sublessee under one or more of categories (a) through (s) of Subsection 4.2.2; or (ii) the Gross Receipts received by Lessee from such Sublessee under category (c) of Subsection 4.2.2.

4.2.2.7 Interest, Service Fees or Late Charges. Interest, service fees or late charges collected in conjunction with a transaction, sale or activity of Lessee or Sublessee shall be reported in the same percentage category as the transaction, sale or activity is reported.

4.2.2.8 Percentage Rent Does Not Affect Permitted Uses. It is understood and acknowledged by Lessee that Section 3.1 of this Lease sets forth the Permitted Uses of the Premises by Lessee; thus, the Percentage Rent categories listed in Subsection 4.2.2 are not all necessarily applicable to this Lease and are in no way intended to expand the Permitted Uses.

4.2.2.9 Policy Statements. Director, by Policy Statement and with the approval of Lessee, Auditor-Controller and County Counsel may further interpret the definition of Gross Receipts, with such interpretations to be a guideline in implementing the foregoing Subsections of this Lease.

4.3 Adjustments to Annual Minimum Rent. As of the First Adjustment Date and every three (3) years thereafter until the first Renegotiation Date, and thereafter each third (3rd), sixth (6th) and ninth (9th) anniversary of each Renegotiation Date (each an "**Adjustment Date**" and collectively the "**Adjustment Dates**"), the Annual Minimum Rent shall be adjusted as provided in this Section 4.3. The Annual Minimum Rent shall be adjusted as of each Adjustment Date to the amount which equals seventy five percent (75%) of the average of the total Annual Rent payable by Lessee to County each year under Section 4.2 of this Lease during the three (3) year period immediately preceding the Adjustment Date; provided, however, that the Annual Minimum Rent shall never be reduced to less than the Annual Minimum Rent in effect immediately prior to the then-applicable Adjustment Date.

4.4 Renegotiation of Annual Minimum and Percentage Rents. Effective as of the first January 1 following the tenth (10th) anniversary of the end of the Construction Period, and the January 1 following each subsequent tenth (10th) anniversary thereafter (each a "**Renegotiation Date**" and collectively, the "**Renegotiation Dates**"), the Annual Minimum Rent and Percentage Rent shall be readjusted to the Fair Market Rental Value (as defined below) of the Premises.

4.4.1 Fair Market Rental Value. As used herein, "**Fair Market Rental Value**" shall mean, as of each Renegotiation Date, the fair market rent, including an annual minimum rent and percentage rent, with the percentage rent expressed as the respective percentages of Gross Receipts in accordance with the categories enumerated in Subsection 4.2.2, which the Premises

would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies, and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and the respective tenant are dealing at arms-length and neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings.

Notwithstanding any contrary provision of this Lease, in connection with the readjustment of Annual Minimum Rent and Percentage Rent pursuant to this Section 4.4, (a) in no event shall the Annual Minimum Rent ever be reduced to an amount less than the Annual Minimum Rent in effect immediately prior to the Renegotiation Date, and (b) in no event shall any individual Percentage Rent category (i.e., each of categories (a) through (s) in Subsection 4.2.2 above) ever be reduced below the percentage (or in the case of category (k), the amount per gallon) for such Percentage Rent category set forth in Subsection 4.2.2 above, and the requirement set forth in this sentence that no individual Percentage Rent category percentage shall be reduced below that set forth in Subsection 4.2.2 shall have no effect on the determination of the Fair Market Rental Value for any other Percentage Rent category in which the Fair Market Rental Value percentage might be greater than that set forth in Subsection 4.2.2.

4.4.2 Renegotiation Period. Not more than one (1) year nor less than nine (9) months prior to the Renegotiation Date, Lessee shall deliver to County written notice setting forth Lessee's determination of the Fair Market Rental Value of the Premises for (a) the Annual Minimum Rent, and (b) a Gross Receipts percentage for each of the Percentage Rent categories set forth in Subsection 4.2.2. Lessee's notice shall include a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as Lessee deems relevant or as may be reasonably requested by County. Within one hundred twenty (120) days after receipt of Lessee's notice, if County disagrees with Lessee's determination, County shall deliver to Lessee written notice of such disagreement, together with County's determination of Fair Market Rental Value and a list of comparable properties and/or complete copies of any appraisals which it has utilized in its determination, together with such other information regarding such comparable properties or the Premises as County deems relevant or as may be reasonably requested by Lessee, to the extent available to County. If County fails to deliver to Lessee notice of its disagreement within the aforementioned period and such failure continues for fifteen (15) days after receipt of written notice from Lessee, then Lessee's determination of Fair Market Rental Value shall be binding on County as of the Renegotiation Date; provided, however, that Lessee's notice to County shall conspicuously state in bold faced type that such determination of Fair Market Rental Value shall be binding on County unless County delivers notice of its disagreement within such fifteen (15) day period.

If Lessee fails to deliver the notice described in the first sentence of this subsection, setting forth Lessee's determination of Fair Market Rental Value, and such failure continues for fifteen (15) days after receipt of written notice from County, then County shall submit its determination of Fair Market Rental Value to Lessee, and Lessee shall have fifteen (15) days after the submittal by County to Lessee of County's determination of Fair Market Rental Value to



deliver to County written notice of Lessee's agreement or disagreement with County's determination. If Lessee fails to deliver notice of such disagreement within such fifteen (15) day period and County's notice to Lessee conspicuously stated in bold-faced type that such determination of Fair Market Rental Value shall be binding on Lessee unless Lessee delivers notice of its disagreement within such fifteen (15) day period, then County's determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.

4.4.3 Negotiation of Fair Market Rental Value. If County (or Lessee, as the case may be) does so notify Lessee (or County, as the case may be) of its disagreement as provided in Subsection 4.4.2, County and Lessee shall have sixty (60) days from the end of the applicable response period in which to agree upon the Fair Market Rental Value for the Premises. County and Lessee shall negotiate in good faith during said sixty (60) day period. If the parties do so agree, they shall promptly execute an amendment to this Lease that documents the new Annual Minimum Rent and Percentage Rent so jointly determined, to be effective upon the Renegotiation Date. Director shall be authorized to execute any such amendment on behalf of County. During the period of negotiation, Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to the obligation to continue to pay to County Annual Minimum Rent and Percentage Rent at the then-existing levels.

4.4.4 Arbitration. If County and Lessee fail to reach agreement during the sixty (60) day period set forth in Subsection 4.4.3, then, unless the parties agree otherwise, the Fair Market Rental Value of the Premises shall be determined by arbitration as set forth in Article 16 of this Lease and the parties shall execute an amendment to this Lease setting forth the Fair Market Rental Value as determined by arbitration. In order to determine the Fair Market Rental Value of the Premises, the arbitrator shall take into consideration the terms and provisions applicable to the calculation of the Fair Market Rental Value set forth in Subsection 4.4.1. During the period of arbitration, County and Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to Lessee's obligation to pay to County Annual Minimum Rent and Percentage Rent at then existing levels.

4.4.5 Retroactivity. In the event that, pursuant to Subsections 4.4.3 or 4.4.4 hereof, the parties execute an amendment to this Lease setting forth the new Annual Minimum Rent and Percentage Rent, such amendment, if executed prior to the Renegotiation Date, shall be effective as of the Renegotiation Date; if executed after the Renegotiation Date, such amendment shall be retroactive to the Renegotiation Date. In the event that such amendment is executed after the Renegotiation Date, then, within thirty (30) days after such execution, Lessee shall pay to County, or County shall pay or, at its election, credit to Lessee, the difference, if any, between (a) such Fair Market Rental Value for the Premises and (b) the actual Annual Minimum Rent and Percentage Rent paid by Lessee to County, for the period of time from the Renegotiation Date until the date of such payment. Lessee (with respect to overpayments) or County (with respect to underpayments) shall further be entitled to interest on each portion of such payment from each date on which the applicable rental payments were payable under this Lease to the date paid or credited, whichever is applicable, at the following rates:

(1) the interest rate applicable to the first six (6) months following the Renegotiation Date shall be equal to the average daily rate for the non-restricted funds held and

invested by the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller (“**County Pool Rate**”); and,

(2) the interest rate applicable to any period of time in excess of six (6) months following the Renegotiation Date shall be the Prime Rate in effect as of the date that is six (6) months after the Renegotiation Date, and such interest shall accrue for the period from the date that is six (6) months after the Renegotiation Date until the date of payment.

No late fee shall be payable under Section 4.5 with respect to any underpayment of rent retroactively readjusted pursuant to this Subsection 4.4.5 as long as Lessee pays to County any such rent underpayment and accrued interest within the thirty (30) day period prescribed in this Subsection 4.4.5.

4.5 Payment and Late Fees. Monthly Minimum Rent shall be paid by Lessee in advance. Payments of Minimum Monthly Rent shall be received by County on or before the first day of each calendar month of the Term. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth (15th) day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in Subsection 4.2.2.4. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County.

Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand. In the event any payment under this Lease is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee (“**Late Fee**”) of six percent (6%) of the unpaid amount shall be added to any amount that remains unpaid five (5) days after such amount was due and payable; provided, however, that no Late Fee shall be assessed in the case of the first late payment by Lessee during any Lease Year as long as such late payment is cured within one (1) business day after Lessee receives written notice from County. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County); provided, however, with respect to any obligation of

an Encumbrance Holder in connection with the exercise of its cure rights under Article 12 below, interest accrual on any particular obligation for periods prior to the Encumbrance Holder's acquisition of leasehold title to the Premises shall be limited to a maximum of three (3) years.

4.6 Changes of Ownership and Financing Events. Except as otherwise provided in this Section 4.6, each time Lessee proposes either (a) a Change of Ownership (that is not an Excluded Transfer) or (b) a Financing Event, County shall be paid (1) an Administrative Charge equal to the Actual Cost incurred by County in connection with its review and processing of said Change of Ownership or Financing Event ("**Administrative Charge**") and (2) subject to the remaining provisions of this paragraph, a Net Proceeds Share, in the event County approves such proposed Change of Ownership or Financing Event and such transaction is consummated. "**Net Proceeds Share**" shall mean the applicable amount determined pursuant to Section 4.8 of this Lease. Changes of Ownership are subject to County approval as provided in Article 11 of this Lease. Financing Events are not Changes of Ownership, but are subject to County approval as provided in Article 12 of this Lease.

4.6.1 Change of Ownership. "**Change of Ownership**" shall mean (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease, (b) the execution by Lessee of a Major Sublease or the transfer by the Major Sublessee under a Major Sublease of a five percent (5%) or greater direct ownership interest in such Major Sublease, (c) any transaction or series of related transactions not described in Subsections 4.6.1(a) or (b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in Lessee or a Major Sublessee, or (d) a Change of Control (as defined below) of Lessee or a Major Sublessee. For the purposes of this Lease, "**Change of Control**" shall refer to a transaction whereby the transferee acquires a beneficial interest in Lessee or a Major Sublessee which brings its cumulative beneficial interest in Lessee or a Major Sublessee, as applicable, to greater than fifty percent (50%).

4.6.2 Excluded Transfers. Notwithstanding anything to the contrary contained in this Lease, Changes of Ownership resulting from the following transfers ("**Excluded Transfers**") shall not be deemed to create an obligation to pay County a Net Proceeds Share or any Administrative Charge:

4.6.2.1 a transfer by any direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date or the date on which a Change of Ownership occurred as to the interest transferred, to any other direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date, including in each case to or from a trust for the benefit of the immediate family (as defined in Subsection 4.6.2.3 below) of any direct or indirect partner, shareholder or member of Lessee who is an individual;

4.6.2.2 a transfer to a spouse (or to a domestic partner if domestic partners are afforded property rights under then-existing Applicable Laws) in connection with a property settlement agreement or decree of dissolution of marriage or legal separation;

4.6.2.3 a transfer of ownership interests in Lessee or in constituent entities of Lessee (i) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), (ii) to a trust for the benefit of a member of the immediate family of the transferor, (iii) from such a trust or any trust that is an owner in a constituent entity of Lessee as of the Effective Date, to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this Subsection 4.6.2.3 is the result of gift, devise, intestate succession or operation of law, or (iv) in connection with a pledge by any partners of a constituent entity of Lessee to an affiliate of such partner;

4.6.2.4 a transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation or other entity whose stock (or securities) is (are) traded publicly on a national stock exchange or traded in the over-the-counter market and whose price is regularly quoted in recognized national quotation services;

4.6.2.5 a mere change in the form, method or status of ownership, as long as there is no change in the actual beneficial ownership of this Lease, Lessee or a Major Sublease, and such transfer does not involve an intent to avoid Lessee's obligations under this Lease with respect to a Change of Ownership;

4.6.2.6 any transfer resulting from a Condemnation by County; or

4.6.2.7 any assignment of the Lease by Lessee to a parent, subsidiary or affiliate of Lessee in which there is no change to the direct and indirect beneficial ownership of the leasehold interest.

4.6.3 Aggregate Transfer. "**Aggregate Transfer**" shall refer to the total percentage of the shares of stock, partnership interests, membership interests or any other equity interests (which constitute beneficial interests in Lessee or a Major Sublessee, as applicable) transferred or assigned in one transaction or a series of related transactions (other than those enumerated in Subsection 4.6.2) occurring since the later of (a) the Effective Date, (b) the execution of a Major Sublease in the case of an Aggregate Transfer involving a Major Sublessee, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County; provided, however, that there shall be no double counting of successive transfers of the same interest in the case of a transaction or series of related transactions involving successive transfers of the same interest. Isolated and unrelated transfers shall not be treated as a series of related transactions for purposes of the definition of Aggregate Transfer.

4.6.4 Beneficial Interest. As used in this Lease, "**beneficial interest**" shall refer to the ultimate direct or indirect ownership interests in Lessee (or a Major Sublessee, as applicable), regardless of the form of ownership and regardless of whether such interests are owned directly or through one or more layers of constituent partnerships, corporations, limited liability companies or trusts.

4.6.4.1 Interests Held By Entities. Except as otherwise provided herein, an interest in Lessee, this Lease or a Major Sublease held or owned by a partnership, limited liability company, corporation or other entity shall be treated as owned by the partners, members,

shareholders or other equity holders of such entity in proportion to their respective equity interests, determined by reference to the relative values of the interests of all partners, members, shareholders or other equity holders in such entity. Where more than one layer of entities exists between Lessee or a Major Sublessee, as applicable, and the ultimate owners, then the foregoing sentence shall be applied successively to each such entity in order to determine the ownership of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, and any transfers thereof. Notwithstanding any contrary provision hereof, no limited partner, member or shareholder having a direct or indirect ownership interest in Lessee or a Major Sublease shall have any liability to County under this Lease.

4.6.4.2 Ownership of Multiple Assets. For purposes of determining the Gross Transfer Proceeds and Net Transfer Proceeds from a transaction or event that involves both a Change of Ownership and also the transfer of other assets or interests unrelated to this Lease, a Major Sublease or beneficial interests in Lessee or a Major Sublessee (as applicable), the proceeds of such transaction or event shall be apportioned to this Lease, a Major Sublease and/or beneficial interests in Lessee or a Major Sublessee (as applicable), on the one hand, and to the other unrelated assets or interests, on the other hand, in proportion to the relative fair market values of the respective assets transferred.

4.6.5 Financing Events Regarding Multiple Assets. For purposes of determining the Net Proceeds Share and Net Refinancing Proceeds from a financing transaction that involves both a Financing Event under this Lease and a financing in which other assets or interests unrelated to this Lease, a Major Sublease or beneficial interests in Lessee or a Major Sublessee secure the financing, the principal amount of such financing transaction shall be apportioned to this Lease, a Major Sublease and/or beneficial interests in Lessee or a Major Sublessee (as applicable), on the one hand, and to the other unrelated assets or interests that also secure the financing, on the other hand, in proportion to the relative fair market values of the respective assets that secure the financing.

4.7 Calculation and Payment. A deposit of Fifteen Thousand Dollars (\$15,000) toward the Administrative Charge shall be due and payable upon Lessee's notification to County of the proposed Change of Ownership (other than an Excluded Transfer) or Financing Event and request for County's approval thereof. If the transaction is approved, the balance of the Administrative Charge, if any, and the Net Proceeds Share shall be due and payable concurrently with the consummation of the transaction constituting the Change of Ownership (other than an Excluded Transfer) or Financing Event giving rise to the obligation to pay such fee, regardless of whether or not money is transferred by the parties in connection with such consummation. If County disapproves the proposed transaction then, within thirty (30) days after notice of its disapproval, County shall deliver to Lessee a written notice setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge), together with a refund of the amount, if any, of the deposit in excess of the Administrative Charge otherwise allowable under Section 4.6. In the event that the Administrative Charge exceeds the deposit, then Lessee shall pay County the balance of the Administrative Charge otherwise allowable under Section 4.6 within thirty (30) days after receipt of the notice from County setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice. At the time of Lessee's request for County approval of the

proposed transaction (or in the case of a transaction, if any, as to which a Net Proceeds Share is payable but County's approval is not required, then at the time of Lessee's notice to County of the transaction, but in no event later than the consummation of the transaction), Lessee shall present (or cause to be presented) to County its calculation of the Net Proceeds Share (if any) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs, if any, which may result from the payment of such Net Proceeds Share ("**Calculation Notice**"). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County's agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. If County disagrees with the amounts set forth in the Calculation Notice, County shall provide Lessee with the reason or reasons for such disagreement. Failing mutual agreement within thirty (30) days after the expiration of County's thirty (30) day review period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs, then the transaction may be consummated after County has disapproved Lessee's Calculation Notice; provided, however, that (i) Lessee shall remit to County as otherwise required hereunder the undisputed portion of the Net Proceeds Share and (ii) Lessee shall deposit the disputed portion of the Net Proceeds Share into an interest bearing escrow account at the closing of the transaction (or deliver to County a letter of credit or other security reasonably acceptable to County in the amount of the disputed portion), which disputed portion shall be distributed in accordance with the arbitration of the dispute pursuant to Article 16 of this Lease, in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value.

4.7.1 Transfer of Less Than Entire Interest. Where a Change of Ownership has occurred by reason of the transfer of less than all of an owner's beneficial interest in Lessee or a Major Sublessee, the Net Proceeds Share shall be due and payable with respect to those portions of such beneficial interest that have been acquired by the transferee since the latest of (a) the Effective Date, (b) the date of the most recent event creating Lessee's obligation to pay a Net Proceeds Share (including without limitation an approval by County of a transfer at a price which falls below the threshold for paying a Net Proceeds Share) with respect to this Lease, a Major Sublease or a Change of Ownership that included a transfer of the beneficial interest that is the subject of the current transfer, or (c) the date which is twelve (12) months prior to the transfer which constitutes the Change of Ownership.

4.7.2 Purchase Money Notes. If the transferor of an interest accepts a note made by the transferee of such interest in payment of all or a portion of the acquisition cost (a "**Purchase Money Note**"), such note shall be valued at its face amount; provided that if the interest rate on such Purchase Money Note is in excess of a market rate, then the value of such note shall be increased to reflect such above-market rate. Any disputes between County and Lessee as to whether the interest rate on a Purchase Money Note is in excess of a market rate or with respect to the valuation of a Purchase Money Note with an above-market rate of interest, shall be settled by arbitration pursuant to Article 16 below.

4.7.3 Obligation to Pay Net Proceeds Share and Administrative Charge. With respect to a Change of Ownership giving rise to the Administrative Charge and Net Proceeds Share, the obligation to pay the Administrative Charge and Net Proceeds Share shall be the obligation of Lessee, and in the case in which the identity of the Lessee changes with the transfer, shall be the joint and several obligation of both the Lessee entity prior to the transfer and the Lessee entity after the transfer. In the event that the Administrative Charge or Net Proceeds Share is not paid when due with respect to the beneficial interest in this Lease, then County shall have the remedies set forth in Section 13.3 hereof; provided, however, in the case of a transfer of an interest in Lessee (as opposed to a transfer by Lessee of an interest in the Lease or the Premises) in which the transferor and transferee fail to pay the Administrative Charge and/or Net Proceeds Share due hereunder, as long as Lessee uses its best efforts to cause the payment of the required Administrative Charge and Net Proceeds Share to be made, County shall, for a period of up to three (3) years following the Change of Ownership, forbear from exercising any right to terminate the Lease as a result thereof; provided further that at the end of such three (3) year period County shall no longer have any obligation to forbear from terminating the Lease if the Administrative Charge and Net Proceeds Share, plus interest as described below, has not been paid in full. An Administrative Charge and Net Proceeds Share not paid when due hereunder shall bear interest at the Prime Rate plus three percent (3%). For purposes of determining whether County is required to forbear from terminating the Lease as described above, Lessee's obligation to use its best efforts to cause the payment of the unpaid Administrative Charge and/or Net Proceeds Share shall include the obligation at Lessee's expense, to institute a legal action against the transferor and transferee within ninety (90) days following the date of the transfer and to diligently prosecute such legal action to completion.

4.8 Net Proceeds Share. In the event of a Change of Ownership, the "**Net Proceeds Share**" shall be the amount by which the greater of the following exceeds the Administrative Charge paid by Lessee to County in connection with such Change of Ownership: (a) the lesser of (i) the Net Transfer Proceeds from such Change of Ownership, or (ii) five percent (5%) of the Gross Transfer Proceeds from such Change of Ownership; or (b) twenty percent (20%) of the Net Transfer Proceeds from such Change of Ownership.

With respect to a Financing Event, the "**Net Proceeds Share**" shall be the amount (if any) by which (I) twenty percent (20%) of the Net Refinancing Proceeds from such Financing Event exceeds (II) the Administrative Charge paid by Lessee to County in connection with the transaction. Notwithstanding the foregoing, in connection with any Financing Event used to fund the cost of the acquisition of an Ownership Interest in Lessee that constitutes an Excluded Transfer, if such Financing Event is secured by the Ownership Interest that is transferred, then the Net Refinancing Proceeds from such Financing Event shall not include the portion of the proceeds of such Financing Event used to fund the acquisition cost of such Ownership Interest.

"**Gross Transfer Proceeds**" shall mean an amount equal to the gross sale or transfer proceeds and other consideration given for the interests transferred (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred; if Lessee and County are unable to agree upon such fair value, then the matter shall be determined pursuant to Article 16).

Notwithstanding any contrary provision of this Section 4.8, in the calculation of Net Transfer Proceeds and Net Refinancing Proceeds derived from a Change of Ownership or Financing Event, as applicable, pursuant to the remaining provisions of Section 4.8 below, there shall be no duplication of any amounts to be subtracted from Gross Transfer Proceeds or the gross principal amount of any Financing Event (as applicable), even if a particular amount qualifies for subtraction under more than one category.

4.8.1 Transaction by Initial Lessee Under this Lease. In the case of a transfer by Lessee (but not a transfer by a successor or assignee of Lessee) constituting a Change of Ownership for which a Net Proceeds Share is payable, “**Net Transfer Proceeds**” shall mean the Gross Transfer Proceeds from the transfer, less the following costs with respect to Lessee (but not its successors or assignees):

4.8.1.1 The sum of (a) the Option Fee and any Extension Fees paid in connection with the Option Agreement or the “Original Option Agreement” as defined in the Option Agreement; plus (b) the actual out-of-pocket costs incurred by Lessee for its third party consultants and attorneys in connection with the negotiation and consummation of the Option Agreement, the Original Option Agreement and this Lease (including any term sheet); plus (c) the Actual Costs reimbursed by Lessee to County in connection with the negotiation and consummation of the Option Agreement, the Original Option Agreement and this Lease (including any term sheet) (the sum of the amounts in (a), (b) and (c) are referred to as the “**Base Value**”), plus (d) the final actual out-of-pocket design, engineering, permitting, entitlement and construction costs paid by Lessee in connection with (I) the Development Work, or (II) other physical capital Improvements or Alterations made to the Premises by Lessee after the Effective Date in compliance with Article 5 of this Lease, in each case to the extent that such costs have been submitted to County within ninety (90) days after the completion of such Improvements, together with a written certification from Lessee and Lessee’s construction lender (to the extent that such construction lender exists and the construction lender has funded such costs) that such costs are accurate (the amounts described in this clause (e) are referred to as “**Improvement Costs**”). Notwithstanding the foregoing, with respect to Improvements or Alterations which are not part of the Development Work, Lessee shall submit the cost of such Improvements on an annual basis within ninety (90) days following the end of each fiscal year. If by the date that is ninety (90) days after the completion of the Development Work (or other Improvements) the final amount of the Improvement Costs is not established because of a dispute or disputes between Lessee and its contractor(s), then Lessee shall note such dispute(s) in its submission of the Improvement Costs (including a description of the costs and the amounts under dispute). Lessee shall thereafter notify County in writing within thirty (30) days after the resolution of any such dispute as to any final adjustment required to the amount of the Improvement Costs to reflect the resolution of such dispute. Without limitation of the definition of Improvement Costs above, Improvement Costs shall include all actual out-of-pocket hard and soft construction costs paid to unaffiliated third parties (except that Lessee shall be entitled to include, to the extent actually incurred, construction management and/or development fees paid to an affiliate as long as the total amount of all construction management, development and similar fees paid to unaffiliated and affiliated parties does not exceed an aggregate of four percent (4%) of the hard construction costs), and actual construction period interest on Lessee’s construction loan from an unaffiliated third party lender.



4.8.1.2 Commissions, title and escrow costs, documentary transfer taxes, sales and use taxes, reasonable attorneys' fees, prepayment fees, penalties or other similar charges (such as yield maintenance premiums or defeasance costs), and other bona fide closing costs actually paid to third parties and documented to the reasonable satisfaction of Director, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share, including the Administrative Charge paid to County for such transaction (but without double counting) (collectively, "**Documented Transaction Costs**").

4.8.1.3 That portion of the principal amount of any Financing Event after the Effective Date that constituted Net Refinancing Proceeds on which Lessee paid County a Net Proceeds Share.

4.8.2 Transfer by Lessee's Successor. In the case of a transfer by a Lessee other than the original Lessee, "**Net Transfer Proceeds**" shall mean the Gross Transfer Proceeds received by that successor, minus the following costs with respect to such successor Lessee:

4.8.2.1 The greatest of (a) the sum of the Base Value, plus Improvement Costs incurred subsequent to the Effective Date but prior to the acquisition of the leasehold interest by such successor; (b) the purchase price such successor paid to Lessee or such successor's seller for the interest acquired (or to the extent that such successor acquired its interest herein pursuant to an exchange of property or other non-monetary interests, then the fair market value of the property or other interests transferred by such successor as the consideration for such successor's acquisition of the interest hereunder acquired by such successor); or (c) the original principal amount of any Financing Event or Financing Events (on a non-duplicative basis) after such successor Lessee's acquisition of the leasehold, and with respect to which County was paid a Net Proceeds Share (or, in the case of a Financing Event on which Lessee would have paid a Net Proceeds Share but for the Financing Event Net Proceeds Exclusions), plus the principal amount of any financing existing as of the date on which such seller acquired the leasehold or subsequently obtained by Lessee, if such financing has not been refinanced, but without duplication;

4.8.2.2 Improvement Costs actually paid by such successor Lessee after such successor Lessee's acquisition of its leasehold interest in the Premises (but not duplicative of the principal amount of any Financing Event described in clause 4.8.2.1(c) above, the proceeds of which were used to fund such Improvement Costs); provided that such costs have been submitted to County, with an appropriate lender (if any) and Lessee certification, as provided in Subsection 4.8.1.1; and

4.8.2.3 Documented Transaction Costs with respect to the transfer of the interest by the successor.

4.8.3 Transfers of Major Sublessee's Interest. With respect to any Change of Ownership described in Subsection 4.6.1(b), Subsections 4.8.1 and 4.8.2 shall apply (as applicable), except that any rents or other amounts received by Lessee from the Major Sublessee a percentage of which is passed through to County under any provision of this Lease (other than payment of Net Proceeds Share) shall be disregarded in the computation of Net Transfer Proceeds.

4.8.4 Other Transfers. With respect to any Change of Ownership that is not an Excluded Transfer and is not described in Subsections 4.8.1 through 4.8.3 (e.g., a transfer of a beneficial interest in Lessee or a Major Sublessee), Subsections 4.8.1, 4.8.2 and 4.8.3 shall apply to such Change of Ownership (as applicable), as adjusted pursuant to the immediately following sentence. For purposes of the application of Sections 4.8.1 and 4.8.2 to a Change of Ownership under this Section 4.8.4, in lieu of deducting the Base Value and Improvement Costs in determining Net Transfer Proceeds, the cost to the transferor of the interest being transferred or which was transferred in the past but constitutes a portion of an Aggregate Transfer (which cost shall in no event be deemed to be less than a pro rata share (i.e., the percentage of the entire beneficial interest in Lessee that is then being transferred) of the Base Value and Improvement Costs (or with respect to a transfer of a beneficial interest in a Lessee that is not the original Lessee Entity that executed this Lease, such cost shall in no event be deemed to be less than the pro rata share (i.e., the percentage of the entire beneficial interest in Lessee that is then being transferred) of the sum of Subsections 4.8.2.1 and 4.8.2.2 as of the respective date of the transfer of each interest in the aggregation pool)) shall be deducted. Furthermore, in the event that any such Change of Ownership produces a Net Proceeds Share, the then-existing Improvement Costs shall be increased by an appropriate amount to reflect the basis on which the Net Proceeds Share was calculated, and the basis of the interest that was transferred and for which a Net Proceeds Share was paid shall also be increased for subsequent transfers of the same interest, as if realized by Lessee or a Major Sublessee upon a transfer of a comparable interest in this Lease or in a Major Sublease, as applicable.

4.8.5 Net Refinancing Proceeds. “**Net Refinancing Proceeds**” shall mean the gross principal amount of any Financing Event after the Effective Date (plus in the case of secondary financing the original principal balance of any existing financing that is not repaid as a part of such secondary financing), minus (a) the greatest of (i) the Base Value plus the Improvement Costs incurred prior to the date of the current Financing Event as to which the amount of Net Refinancing Proceeds is then being calculated, (ii) the Prior Financing Event Principal Balance (as defined below), or (iii) in the case of a successor Lessee, the purchase price such successor paid to Lessee or such successor’s seller for the interest acquired, (b) any portion of the proceeds of the Financing Event which shall be used for Improvement Costs to be incurred after the date of the Financing Event, (c) other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event (but without duplication to the extent included in the amount determined under clause (a) above), and (d) Documented Transaction Costs with respect to such Financing Event. Notwithstanding the foregoing, there shall be no double counting of Improvement Costs in clauses (a), (b) and (c) above. In addition, notwithstanding any contrary provision of Section 4.6 above pursuant to which a Net Proceeds Share would be due upon a Financing Event, if the purpose of a Financing Event is to fund the acquisition cost (or a portion of the acquisition cost) of a Change of Ownership that is not an Excluded Transfer, then to the extent that the gross principal amount of the Financing does not exceed the gross sale or transfer price of such Change of Ownership, and if the Financing Event is consummated concurrently with the consummation of the Change of Ownership, there shall not be any separate Net Proceeds Share payable in connection with such Financing Event.

For purposes of this Subsection 4.8.5, “**Prior Financing Event Principal Balance**” shall mean an amount equal to the original principal amount of a Financing Event consummated after the Effective Date but prior to the then-subject Financing Event, plus if such

previous Financing Event was secondary financing, the original principal balance of any then-existing financing that was not repaid as part of such secondary financing; provided, however, if there were more than one such previous Financing Event after the Effective Date, then the calculation shall be performed for each such previous Financing Event after the Effective Date, and the higher or highest amount so determined shall be the Prior Financing Event Principal Balance.

4.8.6 Transfers to which Sections 4.6 through 4.8 Apply. The provisions of Sections 4.6 through 4.8 hereof shall apply to all transfers of beneficial interests in this Lease or a Major Sublease which constitute a Change of Ownership, unless such transfers are otherwise excluded pursuant to this Lease. Furthermore, the provisions of Sections 4.6 through 4.8 of this Lease, and the principles set forth therein, shall apply to any transfer or series of transfers primarily structured for the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

4.8.7 Payment. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such share and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share at the Applicable Rate from the date due until paid; provided, however, that in the case of a dispute as to the correct amount of the Net Proceeds Share there shall be no late fee payable as long as Lessee timely pays to County the undisputed portion of the Net Proceeds Share and deposits the disputed portion thereof in an interest bearing escrow account at the closing of the transaction (or delivers to County a letter of credit or other security reasonably acceptable to County in the amount of such disputed portion) to secure payment thereof. In the event that the proceeds of the transaction giving rise to the obligation to pay Net Proceeds Share are comprised, in whole or in part, of assets other than cash, then the cash payment of the Net Proceeds Share shall reflect the fair market value of such non-cash assets as of the date of the Change of Ownership, which shall be set forth in the Calculation Notice. Notwithstanding the foregoing, in the case of a Change of Ownership described in Subsection 4.6.1(b), the Net Proceeds Share shall be payable to County as and when the Net Transfer Proceeds are received, with the Net Proceeds Share being equitably apportioned to the payments derived by Lessee from said Change of Ownership (other than any payments passed through to County under this Lease).

4.8.8 Shareholder, Partner, Member, Trustee and Beneficiary List. As part of the submission for approval of a Change of Ownership or Financing Event, and upon the request of County (which requests shall be no more frequent than once per year), Lessee shall provide County with an updated schedule listing the names and mailing addresses of (i) all shareholders, partners, members and other holders of equity or beneficial interests in Lessee, this Lease or the Major Sublessee under any Major Sublease, and (ii) all shareholders, partners, members and other holders of equity or beneficial interests in any of the constituent shareholders, partners, members or other holders of equity or beneficial interests in Lessee or any Major Sublessee under any Major Sublease, if such interest exceeds a five percent (5%) or greater beneficial interest in Lessee or the Major Sublessee under a Major Sublease. In the event that such shareholder, partner, member or other interest holder is a trust, Lessee shall include in such schedule the name and mailing address of each trustee of said trust, together with the names and mailing addresses of each beneficiary of

said trust with greater than a five percent (5%) actuarial interest in distributions from, or the corpus of, said trust; provided, however, that to the extent that Lessee is prevented by Applicable Laws from obtaining such information regarding the beneficiaries of said trust(s), Lessee shall have complied with this provision if Lessee uses its best efforts to obtain such information voluntarily and provides County with the opportunity to review any such information so obtained. Lessee agrees to use its best efforts to provide County with any additional information reasonably requested by County in order to determine the identities of the holders of five percent (5%) or greater beneficial interests in Lessee or a Major Sublessee.

## 5. DEVELOPMENT WORK; ALTERATIONS.

5.1 Development Work. Promptly following the Effective Date Lessee shall commence the performance of the Development Work on the Premises described in the development plan attached to this Lease as Exhibit B (the “**Development Plan**”). The construction work described in the Development Plan, along with all associated improvements, hardscape, landscape and other site work approved by County and to be performed in connection with the work described in such Development Plan, is referred to herein as the “**Development Work.**” The design, configuration, layout, construction materials and other specifications for the Development Work shall be subject to Department’s approval as set forth in this Article 5 and shall be performed in accordance with the Final Plans and Specifications for the Development Work (as established under the Option Agreement to the extent that the Final Plans and Specifications for the Development Work are approved by Director prior to the Effective Date, or as established under Subsection 5.3.3 of this Lease to the extent that the Final Plans and Specifications for the Development Work are not approved by Director until after the Effective Date). Lessee shall be responsible for the acquisition and compliance with all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals required to perform the Development Work.

The Development Work shall include, without limitation, the demolition of the dock formerly utilized for charter services and all permanent buildings and structures remaining on the Premises after the performance by County of the Premises Delivery Obligations under the Option Agreement, and the construction of the following (square footage is approximate):

(a) a dry storage building having a footprint of approximately 47,100 square feet, partially over the water, with a maximum height of 75 feet above the land, to accommodate the following elements: (i) 345 dry stack spaces, (ii) overhead gantry crane reaching a height of 82 feet, or other similar lifting mechanism compatible with the approved dry storage building height and design, with a lifting capacity of 18,000 lbs., (iii) 2 launch/retrieval elevators with provision for 1 or potentially 2 additional elevators, (iv) 1,600 square foot ground floor boat maintenance facility which may be relocated on-site, and (v) 24 trailer storage spaces within the dry stack structure;

(b) 3,070 square feet of ground floor/loft office space/lobby area;

(c) a building containing 2,835 square feet of ground floor space and an additional 430 square feet of office mezzanine space, for lease to County in accordance with the County Sublease (the “**County Facility**”); the County Facility shall be improved with core and

shell improvements for a County Facility with mezzanine office space, including without limitation, all utilities, drainage, mechanical, electrical and plumbing systems, required fire code separation, and such other specifications as set forth in the plans and specifications approved by Director for the County Facility pursuant to Section 7.4 of the Option Agreement and Section 5.3 below (if applicable), and as more specifically set forth in the County Sublease;

- (d) 2,175 square foot fenced outdoor yard for County use (the “**County Yard**”);
- (e) 30 mast-up storage spaces;
- (f) 1 5-ton boat launch/retrieval hoist (the “**Hoist**”);

(g) complete replacement of all existing docks with new concrete (or other material approval by Director) docks yielding approximately 6,738 square feet of docks (including the three docks on the northeast corner of the Premises (the “**Sheriff/Maintenance Docks**”)) to accommodate 65 short-term dock spaces, except that Lessee may postpone replacing the existing Sheriff/Maintenance Docks until not later than the date (the “**Required Sheriff/Maintenance Dock Replacement Date**”) that is the earlier of (i) 10 years after the Effective Date, or (ii) the expiration of the estimated safe remaining useful life of the Sheriff/Maintenance Docks, as established pursuant to a written certification reasonably approved by Director that is dated during the sixty (60) day period prior to the Effective Date, at Lessee’s cost, by an independent third-party marine engineer reasonably acceptable to County, stating that the docks have a safe remaining useful life of at least 5 years (the “**Dock Replacement Deferral Certificate**”); provided that if Lessee does not deliver to Director a Dock Replacement Deferral Certificate that is reasonably approved by Director prior to the Effective Date, then Lessee shall have no right to postpone the replacement of the existing Sheriff/Maintenance Docks pursuant to this paragraph;

- (h) the Promenade described in Section 15.20; and

(i) a minimum of 134 on-site surface parking spaces including 12 compact spaces.

Lessee shall be solely responsible for all costs and expenses incurred in connection with the performance of the Development Work (including all design, engineering, entitlement and construction activities). Lessee shall expend on the Development Work not less than the Required Cost Amount (as defined below) for out-of-pocket costs paid to third parties for the performance of the Development Work that comply with the definition of Applicable Development Costs set forth below. The immediately preceding sentence shall not be construed as a maximum amount that Lessee is required to expend for Applicable Development Costs for the Development Work, but only as a minimum amount, and Lessee shall be required to perform the Development Work in accordance with the requirements and standards set forth in this Article 5 even if the Applicable Development Costs necessary to do so exceed the Required Cost Amount. Only Applicable Development Costs may be used to satisfy the Required Cost Amount. “**Applicable Development Costs**” shall mean all out-of-pocket hard construction costs paid to unaffiliated third parties for the construction of the Development Work plus the following additional out-of-pocket soft costs paid to unaffiliated third parties: (a) architectural, design and engineering fees; (b) governmental permit fees; and (c) project oversight and management fees. Applicable Development Costs shall

also include a development fee not to exceed four percent (4%) of the hard construction costs. The Applicable Development Costs shall also not include any construction loan fees or costs, construction loan interest, the Option Fee or Extension Fee under the Option Agreement or the Original Option Agreement, working capital reserves, legal costs, any imputed cost or value of the existing Improvements, or any imputed cost or value of land or water area.

The “**Required Cost Amount**” for the Development Work means \$10,000,000 increased (but not decreased) by the same percentage increase (if any) in the ENR Index from January 1, 2015 through the date of the commencement of construction of the Development Work.

Lessee shall comply with all time deadlines and schedules set forth in this Article 5 relating to the completion of the design and construction of the Development Work (subject to any extension set forth in Section 5.6 for Force Majeure delay). Lessee’s failure to do so shall, if not cured within the applicable cure period set forth in Subsection 13.1.3, constitute an Event of Default. Except to the extent Lessee is prevented from so doing by Force Majeure delay as provided in Section 5.6, Lessee shall (1) cause the commencement of construction of the Development Work to occur on or before the date (the “**Required Construction Commencement Date**”) which is sixty (60) days following the Effective Date; (2) following commencement of construction of the Development Work diligently continue performance of the Development Work through completion of the Development Work in accordance with the construction schedule submitted to and approved by Director pursuant to Section 5.4.6 below; and (3) substantially complete the Development Work (except for the replacement of the existing Sheriff/Maintenance Docks, to the extent deferral of the replacement of the existing “Sheriff/Maintenance Docks is permitted under Section 5.1(h)) on or before twenty-four (24) months following the Effective Date (the “**Required Construction Completion Date**”). Notwithstanding any contrary provision of this Article 5 in no event shall the Required Construction Commencement Date or Required Construction Completion Date be extended for more than one (1) year for any Force Majeure delay.

In addition to any other remedy of County for Lessee’s failure to complete the Development Work (excluding the replacement of the Sheriff/Maintenance Docks if Lessee is entitled to postpone the replacement of same as set forth above) by the Required Construction Completion Date (as extended pursuant to Section 5.6, if applicable), during the period from the Required Construction Completion Date (as extended pursuant to Section 5.6, if applicable) until the date of the substantial completion by Lessee of the Development Work, County shall have the right to increase the Annual Minimum Rent payable by Lessee pursuant to Article 4 of this Lease to an amount equal to the total Annual Rent (i.e., Annual Minimum Rent and Percentage Rent) that would have been payable by Lessee during such period if Lessee had completed the Development Work (excluding the Sheriff/Maintenance Docks, if applicable) by the Required Construction Completion Date (as extended pursuant to Section 5.6, if applicable). The increased Annual Minimum Rent payable by Lessee pursuant to the immediately preceding sentence shall be calculated by County based on the good faith projection by Director of the Gross Receipts that would have been generated at the Premises if the Development Work had been completed as required under this Lease. Notwithstanding any contrary provision of this Lease, the remedy set forth in this paragraph shall not be deferred, delayed or otherwise affected by any tolling of obligations or tolling of dates under this Section 5.1 pursuant to Subsection 12.3.6 below, or by any cure periods or other rights, restrictions or other remedies of any Encumbrance Holder,

including without limitation, the terms and provisions of Article 12 of this Lease, or by any notice or cure rights under Section 13.1 of this Lease.

5.2 Application of Article 5 to Development Work. The remaining sections of this Article 5 after this Section 5.2 pertain to the construction of the Development Work and to any other Alterations (as defined below) which Lessee may be required or desire to make to the Premises during the Term, including without limitation, the Second Dock Replacement described in Section 5.11 below. For purposes of this Lease, “**Alterations**” shall mean the construction of any alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements. The Development Work and Second Dock Replacement shall be considered to be Alterations. Accordingly, except as expressly provided in this Article 5, all of the terms and provisions of Article 5 of this Lease after this Section 5.2 that are applicable to Alterations shall also be applicable to the Development Work and Second Dock Replacement.

5.3 Plans and Specifications for Alterations. Lessee shall make no Alterations without the prior written approval of the Director, which approval shall not be unreasonably withheld, conditioned or delayed. Prior and as a condition precedent to the construction of any Alterations, Lessee shall submit to Director, for Director’s approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations (except to the extent such submittals and approvals have been previously completed with respect to the Development Work pursuant to the Option Agreement). All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease.

5.3.1 Schematics and Narrative. Lessee shall submit to Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third parties which are located thereon. After receipt of such plans, Director shall have sixty (60) days within which to approve or disapprove such submission in writing. Failure of Director to approve such submission in writing within said sixty (60) day period shall be deemed disapproval of said submission. Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director’s objections to the submission. After approval of schematic plans (or subsequent approval of preliminary plans or Final Plans and Specifications) by Director, if changes in such plans are required by conditions of approval of the Alterations imposed by the California Coastal Commission or other governmental agency with jurisdiction thereover, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove those changes that constitute Approved Governmental Changes.

5.3.2 Preliminary Plans and Specifications. As soon as reasonably practicable after Director’s approval of the materials submitted pursuant to Subsection 5.3.1, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost estimates for the Alterations. The preliminary plans, outline specifications and construction cost estimate shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved

schematics and narrative shall be separately identified and described. The preliminary plans shall be of a detail and scope that is typically associated with design development drawings. Director shall have twenty-one (21) days from receipt within which to approve or reasonably disapprove such submission, and Director may disapprove said preliminary plans only on the grounds that (i) they do not reflect a natural evolution from the approved schematic plans or that they materially differ from the approved schematic plans and narrative (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the schematic plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said preliminary plans within twenty one (21) days after Director's receipt thereof shall be deemed Director's approval thereof; provided, however, that in the event that the preliminary plans, outline specifications and construction cost estimates contain substantial changes from the approved schematics and narrative (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the preliminary plans, outline specifications and construction cost estimates, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.3.2 OF THE LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU (OTHER THAN APPROVED GOVERNMENTAL CHANGES), YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY-ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”**

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission.

**5.3.3 Final Plans and Specifications.** As soon as reasonably practicable after Director's approval of the preliminary plans, outline specifications and construction cost estimates, Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost estimate for the Alterations, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost statement required by this Section with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described. Director shall have twenty one (21) days after receipt within which to



approve or disapprove such submission, and Director may disapprove such submission only on the grounds that (i) they do not reflect a natural evolution from or that they materially differ from the approved preliminary plans, outline specifications and construction cost estimates (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the preliminary plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said final plans and related materials within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the final plans, detailed specifications and construction cost estimate contain substantial changes from the approved preliminary plans and specifications (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the final plans, detailed specifications and construction cost estimate, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

“PURSUANT TO SUBSECTION 5.3.3 OF THE LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU (OTHER THAN APPROVED GOVERNMENTAL CHANGES), YOU HAVE TWENTY-ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld, conditioned or delayed; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved preliminary plans and specifications (exclusive of any Approved Governmental Changes), or which contains new, different or additional specifications for the Improvements which were not expressly set forth in, and approved by Director as a part of, the preliminary plans and which do not meet the requirements for the Improvements set forth in this Article 5. No material modification shall be made to the Alterations described in the approved final plans, specifications and costs (the “**Final Plans and Specifications**”) without the prior written approval of Director, which shall not be unreasonably withheld, conditioned or delayed.

5.4 Conditions Precedent to the Commencement of Construction. No Development Work, Second Dock Replacement or other Alterations shall be commenced until each and all of the following conditions have been satisfied:

5.4.1 Permits and Other Approvals. Lessee shall have received and furnished the Department with copies of all permits, licenses and other governmental approvals necessary for commencement of the Alterations.

5.4.2 Copies of Construction Contracts. Lessee shall have furnished County with copies of any contract(s) entered into between Lessee and any general contractor(s) employed for the purpose of constructing the Alterations.

5.4.3 Performance and Payment Bonds. Lessee shall, at its own cost and expense, have furnished County with the following separate corporate surety bonds (or with the substitute security set forth below) not less than ten (10) days prior to the commencement of construction, which bonds (or other security) must be in form and content reasonably satisfactory to County:

5.4.3.1 A corporate surety performance bond (“**Performance Bond**”) issued by a surety company licensed to transact business as such in the State of California, in an amount not less than one hundred percent (100%) of the amount of all hard construction costs approved by County in conjunction with the approved Alteration. The Performance Bond and its issuer shall be in all material respects reasonably satisfactory to County. It shall name Lessee as principal and said issuer as surety, and County as obligee (and which may include an Encumbrance Holder as an additional obligee), assuring full and satisfactory performance by Lessee of Lessee’s obligations herein to build, construct and otherwise complete the Improvements described in the approved final plans and specifications.

5.4.3.2 A corporate surety payment bond, issued by a surety company licensed to transact business as such in the State of California, with Lessee as principal, said company as surety and County as obligee (and which may include an Encumbrance Holder as an additional obligee), in a sum equal to one hundred percent (100%) of the total construction cost anticipated to be incurred in connection with the approved work, guaranteeing payment for all materials, provisions, supplies and equipment used in, upon, for or about the performance of said construction work or for labor done thereon of any kind whatsoever and protecting County from any and all liability, loss or damages arising out of or in connection with any failure to make such payment (the “**Payment Bond**”). The Payment Bond shall be in form and content reasonably satisfactory to County.

In the event that construction is performed by a licensed general contractor on behalf of Lessee, provided that such contractor provides County with a bond or bonds compliant with this Subsection, and in all material respects reasonably satisfactory to County and otherwise complying with this Subsection, County will accept such contractor’s bonds in lieu of the Performance Bond and/or Payment Bond by Lessee required by this Subsection 5.4.3.

5.4.4 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may provide any of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to Director, made by an individual or entity with a sufficient net worth and liquidity, in the sole discretion of Director, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a certificate of deposit, cash or United States governmental security, (iii) a letter of credit, or (iv) a set aside letter from Lessee’s construction lender. The security described in clause (ii), (iii) and (iv) above shall be in

an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the Improvements if same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. In addition, Director also shall have the authority to accept in lieu of the Payment and Performance Bonds, so-called "Subguard" insurance in such amount, on such terms and issued by such carrier as approved by Director, in combination with such other security, such as a completion guaranty, as acceptable to Director. Any alternative security provided by Lessee pursuant to this subsection may name County and Lessee's construction lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this Subsection 5.4.4 shall be delivery by Lessee to County of an opinion of counsel from a law firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in Subsection 5.4.3 above. Director shall have the authority, in his reasonable discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.4.5 Evidence of Financing. Lessee shall have provided evidence reasonably satisfactory to County of its having sufficient financial resources, as reasonably determined by Director, to complete the Development Work or other Alterations, as applicable. Lessee shall furnish Director with copies of all final notes, guarantees, partnership, shareholder or limited liability company agreements, construction loan and/or permanent loan commitments, as applicable, evidence of equity, documents creating and/or perfecting security interests, and all documents and exhibits referred to in any of the foregoing, together with any and all recorded documents affecting an interest in the Premises.

5.4.6 Work Schedule. The Development Work shall be performed in connection with a phased construction schedule approved by Director. If the phased construction schedule for the Development Work is not approved by Director prior to the Effective Date, then Lessee shall submit to Director no later than thirty (30) days after the Effective Date a phased construction schedule for the performance of the Development Work. Director shall have the right to reasonably approve such phased construction schedule, which schedule shall reasonably allocate the Development Work on a substantially equal basis over the period between the Required Construction Commencement Date and Required Construction Completion Date set forth in Section 5.1 above (or a more accelerated schedule reasonably acceptable to Director); provided, however, that Director shall have no liability in connection with the approval of such construction schedule, nor shall Director's approval of such construction schedule in any manner relieve or otherwise affect Lessee's obligations under this Lease with respect to the commencement and completion of the Development Work on or before the respective required dates for such commencement and completion set forth in Section 5.1 above. Notwithstanding the foregoing, Lessee shall have the right to revise the approved work schedule in the event of any delay in the issuance of the Section 404 Channel Permit such that construction of other phases for which the Section 404 Channel Permit is not required is accelerated to accommodate the anticipated timing for receipt of the Section 404 Channel Permit.

5.5 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Development Work and the Second Dock

Replacement, as applicable. Such cooperative efforts may include the Department's joinder in any application for such approval, consent, permit or variance, where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Sections 25536 and 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that the Department's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Lease.

5.6 Delays in Commencement and Completion of Development Work. Upon commencement of construction of the Development Work, Lessee shall thereafter diligently pursue the completion of such construction by the Required Construction Completion Date, subject to Force Majeure as set forth below. If Lessee is delayed in the commencement of construction or completion of the Development Work due to Force Majeure, then the Required Construction Commencement Date and the Required Construction Completion Date, if and to the extent that the event actually causes a delay in the commencement and completion of construction (as applicable) shall be extended by the period of the delay caused by such Force Majeure. Notwithstanding the foregoing, (a) any extension due to Force Majeure shall be limited to the period of the delay caused by the Force Majeure event and no such delay shall be considered to have commenced unless Lessee notifies Director in writing of the commencement of such delay within ten (10) business days after Lessee's discovery of the delay; (b) in no event shall the Required Construction Commencement Date be extended for more than an aggregate of one year due to Force Majeure; and (c) in no event shall the Required Construction Completion Date be extended beyond the third (3d) anniversary of the Effective Date. Lessee and Director shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this Section 5.6. If they are unable to agree within thirty (30) days after written notice from Lessee of the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this Section 5.6, the matter shall be arbitrated as set forth in Article 16.

In the case of the Development Work and the Second Dock Replacement, the definition of Force Majeure shall also include delays in the commencement and completion of the Development Work or Second Dock Replacement (as applicable) due to Unreasonable County Activity. For the purposes of this Lease, "**Unreasonable County Activity**" means any of the following that occurs after the Effective Date: (i) the Department's failure to provide required County joinder, if any, as fee title owner of the Premises, in Lessee's submittal to the applicable governmental agency of the Final Plans and Specifications for the Development Work or Second Dock Replacement (as applicable) that are approved by the Department; or (ii) the Department's failure to take such other actions, at no cost or expense to County, in its proprietary capacity, that are reasonably requested by Lessee and which are necessary for Lessee to proceed with the permitting and approval process for the Development Work or Second Dock Replacement (as applicable), or the taking by the Department of actions in its proprietary capacity, without Lessee's consent, which are in conflict with Lessee's rights and obligations under this Lease and actually delay the receipt of any

remaining permits or approvals for the Development Work or Second Dock Replacement (as applicable); or (iii) the Department's failure to comply with the time periods imposed upon the Department under Section 5.3 above, except in the case (if any) where a failure of the Department to notify Lessee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in Section 5.5 above, this Section 5.6 or any other provisions of this Lease shall be construed as obliging the Department or the County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit or approval process. No action or inaction shall constitute Unreasonable County Activity unless and until all of the following procedures and requirements have been satisfied:

5.6.1 Within a reasonable time under the circumstances, Lessee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Lessee fails to notify Director in writing as specified in the immediately preceding sentence within five (5) days following Lessee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this Section 5.6, in no event shall Lessee be entitled to any extension for any period of the delay under this Section 5.6 that occurred prior to the date of Lessee's notice described in this Subsection 5.6.1.

5.6.2 Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, Director shall meet with Lessee or its authorized representative in order to determine whether Unreasonable County Activity has occurred and, if so, how such Unreasonable County Activity can be rectified and the duration of the delay caused by such Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred and that County can and will take rectifying action, then the amount of delay under this Section 5.6 for the Unreasonable County Activity shall equal the actual amount of delay directly caused by the Unreasonable County Activity. If Director determines that Unreasonable County Activity has occurred, but that County cannot take rectifying action (or if the proposed rectifying action will not produce the results desired by Lessee), then Lessee and Director shall establish the length of the delay likely to be caused by the Unreasonable County Activity.

5.6.3 If, within fourteen (14) days following receipt of Lessee's notice alleging Unreasonable County Activity, Director and Lessee have not agreed in writing as to whether delay due to Unreasonable County Activity has occurred or the length of such delay, then the matter shall be referred to the Board of Supervisors of the County for such determination.

## 5.7 Manner of Construction.

5.7.1 General Construction Standards. All construction, alteration, modification or repairs permitted herein shall be accomplished by Lessee with due diligence. Lessee shall take all commercially reasonable steps to minimize any damage, disruption or inconvenience caused by such work and make adequate provisions for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal

to or better than the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County, its employees, contractors or agents. Dust, noise and other effects of such work shall be controlled using accepted measures customarily utilized in order to control materially adverse effects associated with construction projects in well populated and developed areas of Southern California.

5.7.2 Utility Work. Any work performed by or on behalf of Lessee or any occupant of the Premises to connect to, repair, relocate, maintain or install any storm drain, sanitary sewer, water line, gas line, telephone conduit, or any other utility service shall be performed in a manner that minimizes material interference with the provision of such services to the Premises and other persons.

5.7.3 Construction Safeguards. Lessee shall erect and properly maintain at all times, as required by the conditions and the progress of work performed by or on behalf of Lessee, all necessary safeguards for the protection of workers and the public.

5.7.4 Compliance with Construction Documents and Laws; Issuance of Permits. All Improvements on the Premises shall be completed in substantial compliance with any construction documents approved by County and also in compliance with all Applicable Laws. Lessee shall have the sole responsibility for obtaining all necessary permits and shall make application for such permits directly to the person or governmental agency having jurisdiction thereover.

5.7.5 Notice to Director; Damage to County Improvements. Lessee further agrees to keep Director apprised of the progress of the work to the end that Director may timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises, including but not limited to seawalls, underground conduits and utility lines. If any such County-owned improvement is damaged in connection with said construction activity, Lessee agrees to repair such damage immediately at no cost or expense to County or, in the event that Lessee fails to effectuate such repair within five (5) business days after written notice from County (or such longer period as may be reasonably required to complete such repair so long as Lessee commences such repair within five (5) business days and thereafter diligently prosecutes same to completion), County may enter upon the Premises to make such repairs, the Actual Cost of which shall be paid by Lessee within two (2) business days after demand by County. In the case of damage to a County-owned improvement that does not involve risk of personal injury, risk of damage to other improvements, risk of curtailment or diminishment of service or access, or any other emergency situation, the references to “five (5) business days” in this Subsection 5.7.5 shall be changed to “thirty (30) days.”

5.7.6 Rights of Access. Representatives of the Department shall, upon reasonable notice and at reasonable times during normal business hours, have the right of reasonable access to the Premises and the Improvements thereon without charges or fees, but at no cost or expense to Lessee, for the purpose of ascertaining compliance with the terms and conditions of this Lease, including but not limited to the inspection of the construction work being performed. Such access

shall be reasonably calculated to minimize interference with Lessee's construction and/or operations, and County shall comply with industry safety standards in connection with any such access. Lessee shall have the right to have a representative present to accompany the representatives of the Department in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

5.7.7 Notice of Completion; As-Built Drawings. Upon completion of the Development Work or any other Alterations, Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the "**Notice of Completion**") with respect to the Improvements and Lessee shall deliver to County, at no cost to County, two (2) sets of Conoflex or Mylar final as-built plans and specifications of the Improvements (or such portions thereof as affected by the work and as to which plans would customarily be prepared (e.g., excluding those components of interior renovations as to which plans are not applicable)).

5.7.8 Final Completion Certificate. Promptly after completion of the Development Work or the Second Dock Replacement, upon Lessee's request, County shall execute and deliver to Lessee a final completion certificate (the "**Final Completion Certificate**") as to the work which is the subject thereof, which shall conclusively evidence the completion of such work by Lessee in accordance with the terms of this Lease.

5.8 Use of Plans. Contracts between Lessee and any architect, design professional or licensed contractor in connection with Alterations shall provide, in form and content reasonably satisfactory to County, for the assignment thereof to County (and Lessee's Encumbrance Holder(s) if required by Lessee's Encumbrance Holder(s)) as security to County for Lessee's performance hereunder, and County shall be furnished with a copy of any such contract, together with the further agreement of the parties thereto, that if this Lease is terminated by County due to Lessee's default, County (or if County enters into a new lease with Lessee's Encumbrance Holder pursuant to Article 12, then Lessee's Encumbrance Holder) may, at its election, use any plans and specifications created by such architect, design professional or contractor in connection with the contract for such Alterations, upon the payment of any sums due to any party thereto. County's right to elect to use plans and specifications as described above shall not include the unauthorized right to use any trade marks, trade names or logos of Lessee or any such architect, design professional or contractor. The assignment to County and Lessee's Encumbrance Holder(s) described in this Section 5.8 shall be effective until the Final Completion Certificate for the subject work is issued, and shall be subordinate to the security interest, if any, of Lessee's construction lender in the assigned contract, which subordination shall be in a form reasonably acceptable to Lessee's construction lender.

5.9 Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.3) for Alterations where all of the following conditions are satisfied: (i) the total cost of the project is less than One Hundred Thousand Dollars (\$100,000), adjusted annually to reflect the increase or decrease in the ENR Index from and after the Effective Date (provided, however, that in no event shall such adjustment result in a reduction of the threshold for Director approval to less

than One Hundred Thousand Dollars (\$100,000); (ii) none of the proposed construction activity is structural in nature; and (iii) none of the proposed construction, additions, modifications or changes materially affect or are visible from the exterior of the Premises; provided, however, that whenever Lessee makes or constructs or permits any improvements in or to the Premises, Lessee shall (a) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (b) furnish a copy of "as-built" plans upon completion of such work to County.

5.10 Protection of County. Nothing in this Lease shall be construed as constituting the consent of County, express or implied, to the performance of any labor or the furnishing of any materials or any specific Improvements, alterations or repairs to the Premises of any part thereof by any contractor, subcontractor, laborer or materialman, nor as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services, or the furnishing of any materials, in any such manner as would give rise to the filing of mechanics' liens or other claims against the Premises or County.

5.10.1 Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of County, the Premises and the Improvements thereon from mechanics' liens or other claims. Lessee shall give County at least ten (10) business days prior written notice of the commencement of any work to be done on the Premises, in order to enable County timely to post such notices.

5.10.2 Prompt Payment. Lessee shall make, or cause to be made, prompt payment (subject to reasonable dispute) of all monies due and owing to all persons doing any work or furnishing any materials or supplies to Lessee or any of its contractors or subcontractors in connection with the Premises and the Improvements thereon. Lessee shall have the right to contest any such amount; provided, however, the entire expense of any such contest (including interest and penalties which may accrue) shall be the responsibility of Lessee.

5.10.3 Liens; Indemnity. Subject to Lessee's rights to contest the same prior to payment, Lessee shall keep the Premises and any Improvements thereon free and clear of all mechanics' liens and other liens arising out of or in connection with work done for Lessee and/or any parties claiming through Lessee. Lessee agrees to and shall indemnify, defend and hold County harmless from and against any claim, liability, loss, damages, costs, expenses, attorneys' fees incurred in defending and all other expenses on account of claims of lien(s) of laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it.

In the event any lien is recorded, Lessee shall, within twenty (20) days after demand, furnish any one of the following, as determined by Lessee: (i) the bond described in California Civil Code Section 8424, or successor statute, which results in the removal of such lien from the Premises, (ii) a Set Aside Letter from Lessee's construction lender, in form and substance reasonably satisfactory to County, setting aside sufficient funds from Lessee's construction loan for the satisfaction of such lien, or (iii) a title insurance policy or endorsement insuring County against any loss or liability arising out of such lien, together with any other evidence requested by



County to evidence that such claim will be paid, removed or discharged as a claim against the Premises and/or County.

5.11 Second Dock Replacement. During the period from (a) the thirtieth (30<sup>th</sup>) anniversary of the date (the “**Trigger Date**”) that is the earlier of the CO Date or the Required Construction Completion Date, and (b) the fortieth (40<sup>th</sup>) anniversary of the Trigger Date, County shall have the right to have the condition of the Anchorage Improvements (including the Sheriff/Maintenance Docks if such docks are not removed) inspected from time to time (but not more often than annually) by an independent, nationally recognized, marine engineering consultant selected by County. County and Lessee shall equally share the fees and expenses incurred for the marine engineering consultant engaged by the County under this Section 5.11. If in the opinion of such engineering consultant the Anchorage Improvements, or any portions thereof, (a) are unsafe, unsightly or at the end of their useful lives; or (b) are of a lesser overall quality than a majority of the other anchorage facilities operated in Marina del Rey at the time of the inspection, then at the County’s written request Lessee shall, at Lessee’s cost, replace the Anchorage Improvements with new Anchorage Improvements as described in the following paragraph. For purposes of this Section 5.11, the Anchorage Improvements shall be inspected and evaluated by the engineering consultant on a section by section basis, and if a particular section, or a material portion of a particular section, of the Anchorage Improvements does not satisfy the test set forth above, then Lessee shall be required to replace all of the component parts of such section. Notwithstanding that the inspection of the Anchorage Improvements shall be performed on a section by section basis, if multiple sections of the Anchorage Improvements do not meet the test set forth above in this Section 5.11, then Lessee shall be required to perform the replacement of all of such deficient Anchorage Improvements at the same time unless Lessee and Director otherwise agree upon a mutually acceptable phasing schedule for such replacement. In all events, all of the Anchorage Improvements shall be replaced at one point or another during the period between the thirtieth (30<sup>th</sup>) and fortieth (40<sup>th</sup>) anniversary of the Trigger Date.

The replacement of the Anchorage Improvements under this Section 5.11 shall comply with the Anchorage Facilities Quality Standard (as defined below) and shall be performed in accordance with all terms and provisions of Article 5 of this Lease applicable to Alterations. The consultant’s determination as to the date that the Anchorage Improvements, or portions thereof, require replacement pursuant to this Section 5.11 shall be based solely on the actual condition of such Anchorage Improvements, and no consideration shall be given to the duration of the remaining Term of the Lease in making such determination. If the consultant determines that Anchorage Improvements replacement work is required, then concurrent with such determination, the consultant shall include as a part of such determination its opinion as to the period of time reasonably necessary to perform the design, permitting and construction of such work taking into account all relevant factors, including, without limitation, the periods of time when no work in the water is permitted. Lessee shall commence any required work (i.e., commence any design and permitting work) within sixty (60) days following receipt of the consultant’s determination and thereafter complete the installation and construction of the work within the period prescribed in the consultant’s determination. The “**Anchorage Facilities Quality Standard**” shall mean anchorage facilities that are first-class and state of the art as of the date of the replacement construction, and that in all events comply with (i) the then most recent edition of the Minimum Standards, (ii) the then most recent edition of Layout and Design Guidelines for Small Craft Facilities by the California Department of Boating and Waterways (or similar successor

publication), and (iii) design memoranda as provided by the Harbor Engineer of the Los Angeles County Department of Beaches and Harbors. The work required to be performed by Lessee under this Section 5.11 is sometimes referred to in this Lease as the “**Second Dock Replacement.**”

5.12 **Capital Improvement Fund.** Commencing with the month following the month during which the fourth (4<sup>th</sup>) anniversary of the earlier of the CO Date or the Required Construction Completion Date occurs, and continuing during the remaining Term of the Lease, Lessee shall establish and maintain a reserve fund (the “**Capital Improvement Fund**”) in accordance with the provisions of this Section 5.12 for the cost of Permitted Capital Expenditures (as defined below) for the Premises. On or before the fifteenth (15th) day of each month during the period described in the immediately preceding sentence, Lessee shall make a monthly deposit to the Capital Improvement Fund in an amount equal to the sum of one and one-half percent (1.5%) of total Gross Receipts for the previous month from the operation of the Premises and Improvements. All interest and earnings on the funds in the Capital Improvement Fund shall be added to the Capital Improvement Fund, but shall not be treated as a credit against the Capital Improvement Fund deposits required to be made by Lessee pursuant to this Section 5.12.

Lessee and County agree and acknowledge that the purpose of the Capital Improvement Fund shall be to provide funds for the costs of additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural, cranes, lifts (including slings), racking system, fueling system and equipment, or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work (“**Permitted Capital Expenditures**”). Notwithstanding any contrary provision of this Lease, the Capital Improvement Fund shall not be used to fund any portion of the cost of the Development Work. Permitted Capital Expenditures shall include the costs incurred for any subsequent replacement of the Anchorage Improvements after the completion of the Development Work, including the Second Dock Replacement. In addition, the Capital Improvement Fund shall not be used for building additions, new project amenities (e.g., barbecues or fitness equipment) or new common area furniture. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the Improvements or their major systems in a good, operating condition, but that do not significantly add to their value or appreciably prolong their useful life. Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Furthermore, Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee. By way of example, set forth on Exhibit D attached to this Lease are examples of categories of Permitted Capital Expenditures that qualify as proper costs to be funded from the Capital Improvement Fund. All specific purposes and costs for which Lessee desires to utilize amounts from the Capital Improvement Fund shall be subject to Director’s approval, which approval shall not be unreasonably withheld, conditioned or delayed.

The Capital Improvement Fund shall be held in an account established with a reputable financial institution (including Lessee’s Encumbrance Holder) reasonably acceptable to Director into which deposits shall be made by Lessee (and/or into which Lessee’ Encumbrance Holder shall provide funds) pursuant to this Section 5.12. The amounts to be added to the Capital Improvement

Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to, and administered in accordance with, the requirements of this Section 5.12.

No disbursements shall be made from the Capital Improvement Fund until after the fifth (5th) anniversary of the CO Date. In addition, no disbursements shall be made from the Capital Improvement Fund after the fifth (5th) anniversary of the CO Date to cure deficiencies arising from the failure of Lessee to maintain and repair the Improvements in accordance with the requirements of this Lease during such five (5) year period. Disbursements shall be made from the Capital Improvement Fund for costs reasonably approved by Director which have been incurred after the fifth (5th) anniversary of the CO Date and that satisfy the requirements of this Section 5.12. Capital Improvement Funds shall be used only after all other sources such as warranty proceeds and product insurance funds are exhausted (or determined to be unavailable). For the purpose of obtaining Director's prior approval of any Capital Improvement Fund disbursements, Lessee shall submit to Director on an annual calendar year basis a capital expenditure plan for the upcoming year that details the amount and purpose of anticipated Capital Improvement Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld, conditioned or delayed. Any anticipated expenditure set forth in such capital expenditure plan which is approved by Director as an acceptable Capital Improvement Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual capital expenditure plan) for the duration of the upcoming year. Lessee shall have the right during the course of each year to submit to Director for Director's approval revisions to the then-current capital expenditure plan in effect for such year, or individual expenditures not noted on the previously submitted capital expenditure plan. Prior to the disbursement of any amounts from the Capital Improvement Fund, Lessee shall furnish to Director applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Capital Improvement Fund.

All amounts then existing in the Capital Improvement Fund shall be expended for Permitted Capital Expenditures not later than ten (10) years prior to the expiration of the Term of the Lease. Capital Improvement Fund deposits made after such date shall continue to be used for Permitted Capital Expenditure purposes under this Section 5.12; provided, however, if County elects to require Lessee to remove the Improvements at the end of the Term and requires Lessee to provide security to secure its obligation to perform such removal obligations in accordance with Subsection 2.3.2 of this Lease, then Lessee shall have the right to contribute the deposits thereafter required to be made by Lessee under this Section 5.12 towards Lessee's obligations to fund the security requirements in Subsection 2.3.2, but only if and to the extent that there are sufficient funds made available in the Capital Improvement Fund for any needed Permitted Capital Expenditures, as determined by Director in Director's reasonable discretion.

## 6. CONDEMNATION.

### 6.1 Definitions.

6.1.1 Condemnation. "**Condemnation**" means (1) the exercise by any governmental entity of the power of eminent domain, whether by legal proceedings or otherwise,

and (2) a voluntary sale or transfer to any Condemnor (as hereafter defined), either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.2 Date of Taking. “**Date of Taking**” means the earliest of (a) the date that the Condemnor has the right of occupancy pursuant to an order for possession issued by a court asserting jurisdiction over the Premises; (b) the date that the final order of Condemnation is issued in the event of a transfer by power of eminent domain; or (c) title is transferred to any Condemnor through voluntary sale or transfer, either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.3 Award. “**Award**” means all compensation, sums or anything of value awarded, paid or received from a total or partial Condemnation.

6.1.4 Condemnor. “**Condemnor**” means any public or quasi-public authority, or private corporation or individual, having the power of eminent domain.

6.2 Parties’ Rights and Obligations to be Governed by Lease. If, during the Term of this Lease, there is any Condemnation of all or any part of the Premises, any Improvements on the Premises or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 6.

6.3 Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking.

6.4 Effect of Partial Taking. If a portion of the Premises or the Improvements thereon are taken by Condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee’s continued use for the purposes contemplated by this Lease. The remaining portion of the Premises shall be deemed unsuitable for Lessee’s continued use if, following a reasonable amount of reconstruction, Lessee’s business on the Premises could not be operated at a commercially reasonable economic level taking into consideration the amount of funds, if any, in excess of the Award, necessary to continue such operation. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the Date of Taking. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease’s continuing in full force and effect, except that Annual Minimum Rent shall be abated pursuant to Section 6.5, below.

In the event that Lessee does not elect to terminate this Lease as provided above, then Lessee, whether or not the Awards or payments, if any, on account of such Condemnation shall be sufficient for the purpose, shall, at its sole cost and expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its value, condition and character immediately prior to such Condemnation, taking into account, however, any necessary reduction in size or other change resulting from the Condemnation; provided, however, that in case of a Condemnation for temporary use, Lessee shall not be required to effect restoration until such Condemnation is terminated.

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a “**Partial Taking**”), the Annual Minimum Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Minimum Rent multiplied by the ratio of the fair market value of the portion of the Premises not so taken to the fair market value of the entire Premises immediately prior to the Partial Taking, but without regard to any diminution in value resulting from the imminent taking. Upon the next Adjustment Date, as described in Subsection 4.3 above, if any, for the purposes of adjusting the Annual Minimum Rent, all Annual Rent paid by Lessee to County prior to the Date of Taking shall be adjusted, for the purposes of this calculation only, to the proportion that the fair market value of the portion of the Premises which remains after the Partial Taking bears to the fair market value of the entire Premises immediately prior to the Partial Taking. If the parties cannot agree upon the appropriate Annual Minimum Rent, the matter shall be settled through arbitration in the manner set forth in Article 16 hereof. Any determinations of fair market value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the “income approach” or “income capitalization approach” to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the “**Income Approach**”). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent, shall remain in full force and effect.

6.6 Waiver of Code of Civil Procedure Section 1265.130. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking of the Premises.

6.7 Payment of Award. Awards and other payments on account of a Condemnation, less costs, fees and expenses incurred in the collection thereof (“**Net Awards and Payments**”), shall be applied as follows:

6.7.1 Partial Taking Without Termination. Net Awards and Payments received on account of a Condemnation, other than a total Condemnation or a Partial Taking which results in termination hereof or a taking for temporary use, shall be held by County and shall be paid out to Lessee or Lessee’s designee(s), in monthly installments equal to the sum set forth in Lessee’s written request for payment submitted to County together with supporting invoices and documentation demonstrating that the requested sums are for payments to contractors, consultants, architects, engineers, counsel, or materialmen engaged in the restoration of the Premises and any Improvements. Such requested sums shall be paid by County to Lessee or its designee(s) within thirty (30) days after County has received such request in writing reasonably supported by accompanying invoices and documentation. In the event that County disputes any sum requested by Lessee pursuant to the preceding sentence, County shall promptly pay the undisputed portion and provide Lessee with a written notice detailing the reasons for County’s dispute. Thereafter, Director and Lessee shall promptly meet and negotiate in good faith to resolve any dispute; provided, however, that any dispute not resolved within thirty (30) days after Lessee has received notice from County of its dispute shall be submitted to arbitration pursuant to Article 16. The balance, if any, shall be divided between County and Lessee pro rata, as nearly as practicable, based upon (1) the then value of County’s interest in the Premises (including its interest hereunder) and (2) the then value of Lessee’s interest in the remainder of the Term of this Lease including bonus value (for such purposes, the Term of this Lease shall not be deemed to have terminated

even if Lessee so elects under Section 6.4). Any determinations of fair market value made pursuant to this Section 6.7 shall be predicated upon the Income Approach. Notwithstanding the foregoing, if County is the condemning authority and the Condemnation pertains only to Lessee's interest, then Lessee shall be entitled to the entire amount of the Net Awards and Payments.

In case of a Condemnation described in this Subsection 6.7.1, Lessee shall furnish to County evidence satisfactory to County of the total cost of the restoration required by Section 6.4.

**6.7.2 Taking For Temporary Use.** Net Awards and Payments received on account of a taking for temporary use shall be paid to Lessee; provided, however, that if any portion of any such award or payment is paid by the Condemnor by reason of any damage to or destruction of the Improvements, such portion shall be held and applied as provided in the first sentence of Section 6.7.1, above.

**6.7.3 Total Condemnation and Partial Taking with Termination.** Net Awards and Payments received on account of a total Condemnation or a Partial Taking which results in the termination of this Lease shall be allocated in the following order:

First: There shall be paid to County an amount equal to the greater of (a) the sum of (1) the present value of all Annual Rent and other sums which would become due through the expiration of the Term if it were not for the taking less, in the event of a Partial Taking, an amount equal to the present value of the fair rental value of the portion of the Premises (with the Improvements thereon) not subject to the Partial Taking, from the date of the Partial Taking through the expiration of the Term and (2) the present value of the portion of the Premises (with the Improvements thereon) subject to the taking from and after the expiration of the Term or (b) in the event of a Partial Taking, the present value of the fair market rental value of the portion of the Premises (with the Improvements thereon) subject to the Partial Taking, from and after the expiration of the Term.

Second: There shall be paid to any Encumbrance Holder an amount equal to the sum of any unpaid principal amount of any Encumbrance secured by the Premises plus costs, expenses, and other sums due pursuant the loan documents, if any, and any interest accrued thereon, all as of the date on which such payment is made; and then

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

If County is the condemning authority in connection with a total Condemnation or a Partial Taking that results in the termination of the Lease, and such total Condemnation or Partial Taking pertains to only Lessee's interest, then Lessee shall be entitled to the entire amount of any Net Awards and Payments.

In the event of a total Condemnation or a Partial Taking that results in the termination of this Lease, County shall promptly pay or authorize the payment of, as applicable, to Lessee all sums held by County or third parties as the Capital Improvement Fund, the Security Deposit, and, upon completion by Lessee of its obligations under Section 2.3 of this Lease with respect to any portion of the Premises not taken in the Condemnation, the remaining Demolition Security.

6.7.4 Disputes. Any dispute under Article 6 concerning the fair market value of the Premises or any portion thereof, computation of present value or the determination of the amount of Annual Minimum Rent or Percentage Rent or other sums which would have become due over the Term of this Lease which are not resolved by the parties, shall be submitted to arbitration pursuant to Article 16 of this Lease. Such valuations, computations and determinations of value shall be made utilizing the Income Approach.

## 7. SECURITY DEPOSIT.

7.1 Amount and Use. Lessee shall deliver to and maintain with County a security deposit (the “**Security Deposit**”) in an amount equal to the sum of three (3) times the Monthly Minimum Rent in effect from time to time during the Term (i.e., adjusted to reflect any change in the Monthly Minimum Rent during the Term of this Lease). If as of a particular date for adjustment to the amount of the Security Deposit as provided above, Lessee has not at any time during the immediately preceding three (3) year period committed an Event of Default under this Lease, then effective as of such adjustment and continuing until the earlier of the occurrence of an Event of Default or the next date for adjustment of the amount of the Security Deposit as provided above, the amount of the Security Deposit required to be maintained by Tenant shall be reduced to two (2) times the Monthly Minimum Rent placed into effect as of such Security Deposit adjustment date.

The Security Deposit shall secure Lessee’s obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover (a) delinquent rent not paid by Lessee within any applicable notice and cure period, and (b) any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. Lessee shall have the right to maintain the Security Deposit in form of cash or in the form of a certificate of deposit, letter of credit or other approved investment instrument acceptable to County with respect to form, content and issuer. As long as no Event of Default by Lessee exists under the Lease, Lessee shall be entitled to any interest or other earnings which are actually earned on any unapplied portions of the Security Deposit delivered to County in the form of a certificate of deposit or other approved investment instrument (as opposed to cash, on which Lessee shall not be entitled to interest). Provided that no Event of Default then exists under the Lease, at the end of each Lease Year Lessee shall be entitled to a credit for all unexpended interest accruing to Lessee’s benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

7.2 Replacement. In the event that some or all of the Security Deposit is drawn against by County and applied against any delinquent rent not paid by Lessee within any applicable notice

or cure period, or against other Events of Default of Lessee hereunder, Lessee shall, within ten (10) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, or cause the issuer of any letter of credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said ten (10) day period), the full amount of the Security Deposit shall be available to County. Failure to maintain and replenish the Security Deposit, if not cured within the time period set forth in Subsection 13.1.2, shall constitute an Event of Default hereunder.

7.3 Renewal. Any letter of credit procured by Lessee and delivered to County shall provide for notice to County by the issuer thereof no less than sixty (60) days prior to the expiration of the term of such letter of credit in the event that the issuer thereof is not irrevocably committed to renew the term of such letter of credit. In the event that, thirty (30) days prior to the expiration of such letter of credit, Lessee has not provided County with satisfactory evidence of its renewal or replacement, or has not provided County with adequate replacement security, County may draw down upon the letter of credit and hold the funds as security for Lessee's obligations as set forth in this Lease and may apply the funds to cover delinquent rent not paid by Lessee within any applicable notice and cure period and/or any other Event of Default of Lessee under this Lease.

## 8. INDEMNITY.

Except to the extent caused by the gross negligence or willful misconduct of any such indemnitee, Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its respective Boards, officers, agents, consultants, counsel, employees and volunteers from any and all claims, costs, losses, expenses or liability, including expenses and reasonable attorneys' fees incurred in defending against the same by an attorney selected by Lessee and reasonably satisfactory to County, to the extent arising from or caused by (a) the operation, maintenance, use, or occupation of the Premises (other than the Promenade and the Seawall) or the Improvements by Lessee or its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, including any occurrence in or on the Premises or Improvements, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, (c) the failure of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees to observe and abide by any of the terms or conditions of this Lease or any applicable law, ordinance, rule, or regulation, or (d) the performance of the Development Work or any Alterations. The obligation of Lessee to so relieve, indemnify, protect, and save harmless County and each of its respective Boards, officers, agents, consultants, counsel, employees and volunteers, shall continue during any periods of occupancy or of holding over by Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease. Notwithstanding anything in this Lease to the contrary, Lessee and County acknowledge that their respective liability, if any, arising out of the operation, maintenance, use and/or occupation of the Promenade shall be governed by Applicable Law. In addition, Lessee shall not be required to indemnify, defend or hold County harmless with respect to the existence of any Hazardous Substances (a) that might be present in seawater passing over, under, through or around any portion of the Premises or any Improvement as long as (I) such Hazardous Substances did not originate at or from the Premises or Improvements, and (II) with respect to Hazardous Substances that did not originate at or from the Premises or Improvements, were not caused by the acts or omissions of Lessee or its Sublessees, or its or their respective



contractors, employees, agents, representatives, consultants, customers, visitors, permittees or licensees; or (b) that Lessee proves were caused by the operations of County, its employees, agents or contractors on the Premises during the period between the date of the Option Agreement and the Effective Date of this Lease in violation of Applicable Law pertaining to the storage, use or release of Hazardous Substances.

## 9. INSURANCE.

9.1 Lessee's Insurance. Without limiting Lessee's indemnification of County, during the Term of this Lease Lessee shall provide and maintain the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a "general policyholders rating" of at least A-VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency.

9.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	\$20,000,000
Products/Completed Operations Aggregate:	\$20,000,000
Personal and Advertising Injury:	\$10,000,000
Each Occurrence:	\$10,000,000

Lessee may satisfy the above coverage limits with a combination of primary coverage ("**Primary Coverage**") and excess liability coverage ("**Umbrella Coverage**") (as long as (a) Lessee's Primary Coverage for General Aggregate is at least Two Million Dollars (\$2,000,000) per occurrence, Two Million Dollars (\$2,000,000) annual aggregate, (b) Lessee's Primary Coverage for Products/Completed Operations Aggregate is at least One Million Dollars (\$1,000,000) per occurrence, One Million Dollars (\$1,000,000) annual aggregate, (c) Lessee's Primary Coverage for Personal and Advertising Injury is at least One Million Dollars (\$1,000,000) per occurrence, Two Million Dollars (\$2,000,000) annual aggregate, and (d) the combination of each of such Primary Coverages and Umbrella Coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverages required under this Subsection 9.1.1.

9.1.2 Automobile Liability insurance (written on ISO form CA 00 01 or its equivalent) with a limit of liability of not less than One Million Dollars (\$1,000,000) of Primary Coverage and One Million Dollars (\$1,000,000) of Umbrella Coverage, for each accident and providing coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto." During any period of operation of valet parking facilities, Lessee also shall provide Garagekeeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Three Million Dollars (\$3,000,000) for this location.

9.1.3 Workers Compensation and Employers' Liability insurance providing workers compensation benefits, as required by the Labor Code of the State of California and for which Lessee is responsible, and including Employers' Liability coverage with limits of not less than the following:

Each Accident:	\$1,000,000
Disease - policy limit:	\$1,000,000
Disease - each employee:	\$1,000,000

9.1.4 Commercial Property insurance covering damage to the Premises, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake, and including Ordinance or Law Coverage, written for the full replacement value of the Improvements, with a deductible no greater than \$250,000 or 5% of the property value, whichever is less, and also including business interruption, including loss of rent equal to twelve (12) months of rent, with proceeds payable to Lessee and County as their interests may appear and utilized for repair and restoration of the Premises and Improvements. Notwithstanding the foregoing, during any period during which no Improvements exist on the Premises or all of the existing Improvements are being demolished in connection with the construction of Development Work, the obligation to provide insurance under this Subsection 9.1.4 shall not be applicable so long as the insurance coverage described in Subsection 9.1.5 below is carried.

9.1.5 For construction projects on the Premises, including the Development Work, any other Alterations or restoration of the Improvements, Lessee or Lessee's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis.):

9.1.5.1 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30) or equivalent. This insurance shall be endorsed to include ordinance or law coverage, coverage for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, against loss or damage until completion and acceptance by Lessee.

9.1.5.2 General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Development Work or other Alterations. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Development Work, three (3) years after the date the Development Work is completed and accepted by the Lessee, or (b) in the case of Alterations after the completion of the Development Work, such period after the date such Alterations are completed and accepted by Lessee as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.

9.1.5.3 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Development Work or other Alterations. Such insurance shall include coverage for all “owned,” “hired” and “non-owned” automobiles, or coverage for “any auto.”

9.1.5.4 Professional Liability. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this Subsection 9.1.5.4 shall be (a) Three Million Dollars (\$3,000,000) with respect to the prime architect for the Development Work (or such lesser amount as required by Director for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars (\$1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Development Work or subsequent Alterations, provided that Director shall have the discretion to reduce the coverage limits under this clause (b) if appropriate in the judgment of Director based on the nature and scope of the services being provided.

9.1.5.5 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos or pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or order. If the asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor’s or subcontractor’s Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Development Work or other Alterations.

9.1.6 If the use of the Premises or Improvements involves any manufacture, distribution or service of alcoholic beverages, Liquor Liability insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) with a liability limit of not less than Five Million Dollars (\$5,000,000) per occurrence and an annual aggregate of Ten Million Dollars (\$10,000,000), which limits may be covered by a combination of Primary Coverage and Umbrella Coverage. If written on a claims made form, the coverage shall also provide an extended two-year reporting period commencing upon the termination or cancellation of the Lease.

9.1.7 If use of the Premises or Improvements involves a marina operation, berthing, docking, and/or launching of boats and/or pleasure crafts, and/or use of floating docks, piers and/or ramps, Lessee shall carry Marina Operator’s Liability insurance with limits of not less than Five Million Dollars (\$5,000,000) per occurrence, and Ten Million Dollars (\$10,000,000) aggregate. If written on a “claims made” form, the coverage shall also provide an extended two (2) year reporting period commencing upon the expiration or earlier termination of the Lease, or replacement coverage shall be maintained until such time. Lessee shall have the right to maintain the insurance coverage required under this Subsection 9.1.7 in a combination of primary and umbrella coverage as long as the primary coverage is at least One Million Dollars (\$1,000,000) per occurrence and One Million Dollars (\$1,000,000) aggregate, and the combination of such

primary and umbrella coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverage required under this Subsection 9.1.1.

9.2 Provisions Pertaining to Property Insurance. The insurance coverage required in Subsections 9.1.4 and 9.1.5.1 shall name County as an additional insured and any Encumbrance Holder as loss payee. Subject to Section 12.8, upon the occurrence of any loss, the proceeds of property and builder's risk insurance shall be held by County in trust for the named insureds as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than \$500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Effective Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of Improvements in accordance with the terms of the loan agreement or deed of trust with Lessee's Encumbrance Holder. In the event of a loss, except as expressly provided to the contrary in this Lease, Lessee shall be obligated to use the insurance proceeds received by Lessee to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 10 hereof. Subject to Section 12.8, any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

9.3 General Insurance Requirements. Subject to the immediately following grammatical paragraph, a duplicate policy or policies (or certificates of insurance) evidencing the insurance coverage required under this Article 9, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than the Effective Date, provided that the evidence of the insurance coverage required under Subsection 9.1.5 shall be required to be delivered by Lessee prior to the commencement of any Development Work or other Alterations. All certificates of insurance shall (a) specifically identify the Lease; (b) clearly evidence all coverages required under the Lease; (c) identify any deductibles or self-insured retentions exceeding \$25,000 or such other commercially reasonable amount as approved by the Director; and (d) evidence all other requirements under this Article 9. The policy or policies of insurance shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business days prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.

In lieu of submitting a copy of the policy or policies evidencing the above insurance, Lessee may submit in a form reasonably acceptable to County a certificate of insurance.

Any insurance coverage may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County such that such coverage provides the same protection as required under this Article 9 as if the insurance had been procured on an individual property basis.

9.4 Additional Required Provisions. Lessee's insurance policies required by this Article 9 shall be for a term of not less than one year and shall additionally provide:

(a) that County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, shall be named as additional insureds under any liability insurance policy or policies;

(b) that the full amount of any losses to the extent property insurance proceeds are available shall be payable to additional insureds notwithstanding any act, omission or negligence of Lessee which might otherwise result in forfeiture of such insurance;

(c) in any property insurance policy, a waiver of all right of subrogation against County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers with respect to losses payable under such policies;

(d) in any property insurance policy, that such policies shall not be invalidated should the insured waive, prior to a loss, any or all right of recovery against any party for losses covered by such policies;

(e) to the extent of the indemnification obligations of Lessee in favor of any additional insureds, the property and commercial general liability insurance policies shall provide coverage on a primary and non-contributory basis with respect to such additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;

(f) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgagee clause;

(g) that such policies shall not be suspended, voided, canceled, reduced in coverage or in limits or materially changed without at least thirty (30) days prior written notice to County and all Encumbrance Holders or ten (10) business days in case of cancellation for failure to pay the premium;

(h) that the commercial general liability insurance shall apply separately to each insured against whom a claim is made, except with respect to the overall limits of said insurer's liability; and,

(i) that the property and commercial general liability insurance policies shall contain no special limitations on the scope of protection afforded to the additional insureds, and no failure to comply with the reporting provisions of such policies shall affect the coverage afforded to such additional insureds.

9.5 Failure to Procure Insurance. If Lessee fails to procure or renew the herein required insurance and does not cure such failure within five (5) business days after written notice from County, in addition to the other rights and remedies provided hereunder, County may, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith. All monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) business days after Lessee's receipt of written demand therefor.

9.6 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Subsections 9.1.1, 9.1.2 and 9.1.3 shall be subject to adjustment as of each fifth

(5th) anniversary of the Effective Date (each, an “**Insurance Renegotiation Date**”), consistent with the amounts of such liability insurance then being required by County, in the exercise of its reasonable judgment, under similar ground leases for comparable developments and uses in the Marina del Rey Small Craft Harbor, including any adjustments then being approved by County (if any), based on differences in size, scope, uses or risks between the Premises and such other developments. If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

9.7 Notification of Incidents, Claims or Suits. Lessee shall notify County of any accident or incident on or about the Premises which involves injury or property damage over Fifty Thousand Dollars (\$50,000.00) in the aggregate and pursuant to which a claim against Lessee and/or County is made or threatened. Such notification shall be made in writing within 72 hours after Lessee first becomes aware of the claim or threatened claim.

## 10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 Lessee’s Maintenance and Repair Obligations. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (excluding the Excluded Conditions and excluding the Seawall), in conformance with the Minimum Standards regarding the use and occupancy of anchorage and related commercial improvement projects in Marina del Rey (such as the Premises) as revised from time to time by County in a manner consistent with commercially reasonable maintenance standards applicable to other comparable commercial projects in Marina del Rey (the “**Maintenance Standard**”). Any dispute as to whether revisions to the Maintenance Standard adopted by the County from time to time pursuant to the immediately preceding sentence is commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Without limiting the foregoing, at Lessee’s sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises and all equipment, Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10 (except that during periods of construction of the Development Work or other Alterations or reconstruction of damaged or destroyed Improvements, Lessee’s obligations as to the areas of the Premises under construction shall be controlled by Article 5 of this Lease). Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, or as reasonably required in writing by Director to Lessee incident to the provisions of this Article 10. Lessee shall maintain all Improvements on the Premises (other than the Excluded Conditions and the Seawall)) in a safe, clean, wholesome and sanitary condition, to the reasonable satisfaction of Director and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as reasonably satisfactory to Director. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right

with reasonable notice to enter upon and inspect the Premises at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises. The exclusion of the Excluded Conditions and Seawall from Lessee's maintenance obligations under this Section 10.1 shall not relieve Lessee from the obligation to repair and restore any damage to the Excluded Conditions and/or Seawall caused by Lessee, its agents, employees, Sublessees or contractors, or by Improvements constructed by or on behalf of Lessee, and Lessee hereby agrees to perform such repair or restoration work at Lessee's sole cost and expense.

10.2 Maintenance of Anchorage Improvements. Lessee shall at all times during the Term keep the Anchorage Improvements in good repair and condition in accordance with the requirements of the Minimum Standards (except that during periods of construction the Development Work or Alterations of the Anchorage Improvements or reconstruction of damaged or destroyed Anchorage Improvements, Lessee's obligations as to the areas of the Premises under construction shall be controlled by Article 5 of this Lease). During the Term Lessee shall also complete float repair and replacement on an as-needed basis. Following the construction of the Anchorage Improvements pursuant to the Development Work, any requirement for subsequent repair of such Anchorage Improvements due to a deficiency notice issued by the Department shall be accomplished with new materials and parts rather than patching or other like method. Such required replacement of deficiency-cited items with wholly new parts and materials shall, however, be limited to the specific item in disrepair and shall not connote a requirement, for maintenance purposes, that areas or items surrounding the deficient item be replaced with new materials and/or parts.

10.3 Water Quality Management Program and Tree Trimming. During the remaining Term of the Lease, Lessee shall comply with any reasonable water quality management requirements hereafter adopted by County and imposed on a non-discriminatory basis to other similar marina operations in Marina del Rey. In addition, during the remaining Term of the Lease, Lessee shall remove floating debris from the water surrounding the Anchorage Improvements in accordance with a program and regular schedule reasonably acceptable to Director.

During the remaining Term of the Lease, Lessee shall cause all trees located on the Premises to be trimmed and otherwise maintained in compliance with the Marina Del Rey tree trimming policy referenced in Exhibit E, as such policy is updated from time to time by County.

10.4 Maintenance Deficiencies. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under Sections 10.1 through 10.3 above, then Lessee shall promptly commence the cure thereof and shall complete such cure within the time period for such cure set forth in the County's deficiency notice, which cure period shall not be less than thirty (30) days except if the deficiency pertains to a condition that is a threat to health or safety or otherwise constitutes an emergency situation, in which case County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury. If Lessee fails to cure any such deficiency within the cure period set forth in County's written deficiency notice (which cure period shall comply with the requirements of the immediately preceding sentence of this Section 10.4), then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 of this Lease for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay

to County an amount equal to One Hundred Dollars (\$100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured. Notwithstanding the foregoing, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County's notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will effectuate the cure in as short a period as reasonably possible, then the cure period specified in County's deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.4 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If in the reasonable and good faith business judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to Director within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with Director, then Director shall exercise Director's reasonable discretion in considering Lessee's contest. If Lessee's contest is made on a reasonable and good faith basis, then, in cases that do not include health, safety or any emergency condition, the cure period for the deficiency notice shall be tolled during the period between the date Director receives written notice of such contest and continuing until Director notifies Lessee in writing that Director accepts or denies Lessee's contest. If Director denies Lessee's contest, Lessee may request arbitration pursuant to Article 16. The One Hundred Dollars (\$100) per diem amount set forth in this Section 10.4 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding each such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.4 within fifteen (15) days after written notice from County, then County shall have the right to draw on the Security Deposit to cover such unpaid amounts.

**10.5 Option to Terminate for Uninsured Casualty.** In the event of any damage to or destruction of the Premises or any Improvements located thereon (other than the Excluded Conditions and the Seawall, except to the extent damage thereto is caused by the Lessee, its agents, employees, Sublessees or contractors, or by Improvements constructed by or on behalf of Lessee), Lessee shall, except as otherwise expressly provided in this Section 10.5, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.5, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises (other than the Excluded Conditions and the Seawall) are substantially damaged or destroyed and such damage or destruction resulted from



a cause not required to be insured against by this Lease (an “**Uninsured Loss**”), and where all of the following occur:

10.5.1 No more than one hundred (100) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include both a copy of Lessee’s notification to the Encumbrance Holder, if any, of Lessee’s intention to exercise this option to terminate and Lessee’s certification under penalty of perjury that Lessee has delivered or mailed such notification to the Encumbrance Holder in accordance with this Subsection 10.5.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee’s desire to terminate this Lease.

10.5.2 No more than sixty (60) days following the giving of the notice required by Subsection 10.5.1 or such longer time as may be reasonable under the circumstances, Lessee shall, at Lessee’s expense: remove all debris and other rubble from the Premises; secure the Premises against trespassers; and, at County’s election, remove all remaining Improvements on the Premises.

10.5.3 No more than sixty (60) days following the giving of the notice required under Subsection 10.5.1, Lessee delivers to County a quitclaim deed to the Premises in recordable form, in form and content satisfactory to County and/or with such other documentation as may be reasonably requested by County or any title company on behalf of County, terminating Lessee’s interest in the Premises and reconveying such interest to County free and clear of any and all Encumbrances and Subleases.

10.5.4 Within fifteen (15) days following County’s receipt of the notice referred to in Subsection 10.5.1, County has not received both (a) written notice from any Encumbrance Holder objecting to such termination and (b) an agreement containing an effective assignment of Lessee’s interest in this Lease to such Encumbrance Holder whereby such Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee’s obligations under this Lease.

10.6 No Option to Terminate for Insured Casualty. Lessee shall have no option to terminate this Lease or otherwise be relieved of its obligation to restore the Improvements on the Premises where the damage or destruction results from a cause required to be insured against by this Lease.

10.7 No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises; provided, however, that Director shall in its good faith discretion consider the application of funds toward the maintenance, repair and replacement of the existing seawall adjacent to the Premises (the “**Seawall**”) if and to the extent such funds are made available to Director for such uses by County and its Board of Supervisors. Director shall undertake such maintenance, repair and replacement, if any, with due diligence consistent with the funding provided. In the event the Seawall is in imminent danger of collapse or has collapsed, Director shall promptly seek funding from the Board of Supervisors for repair or replacement as may be necessary to avoid or repair such collapse. If County is obligated to maintain or repair the Seawall under the terms of a lease between the County

and any other lessee in Marina del Rey, or if County in fact maintains or repairs the Seawall for the benefit of any other lessee in Marina del Rey, County shall have the same obligation(s) with respect to the Seawall protecting the Premises. Except as expressly provided in this Section 10.7, County shall have no obligation to maintain or repair the Seawall.

10.8 Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, Director may notify Lessee of said failure in writing, and should Lessee fail to cure said failure and make repairs or replacements within a reasonable time as established by Director, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, overhead, materials and equipment, shall be charged against Lessee as provided in Section 13.5.

10.9 Other Repairs. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.9, and any entry onto the Premises to perform work on the Seawall pursuant to Section 10.7 above, shall be made in accordance with the following requirements: (i) prior to entry onto the Premises County shall cause each of its contractors to provide to Lessee evidence that such contractor has procured commercial general liability insurance coverage pertaining to such contractor's activities on the Premises, which insurance coverage shall be consistent with County's insurance requirements generally applicable to County contractors, and shall name Lessee as an additional insured; (ii) County's contractors shall comply with industry standard safety requirements; and (iii) County shall repair, or cause its contractors to repair, any damage to the Premises caused by the activities of County and/or its contractors on the Premises pursuant to this Section 10.9 or Section 10.7. If repair of the Seawall requires access to the Premises, County and Lessee agree to cooperate to define a work and/or access area that is reasonably acceptable to both parties.

10.10 Notice of Damage. Lessee shall give prompt notice to County of any fire or damage affecting the Premises or the Improvements from any cause whatsoever.

10.11 Waiver of Civil Code Sections. The parties' rights shall be governed by this Lease in the event of damage or destruction. The parties hereby waive the provisions of California Civil Code Section 1932 and any other provisions of law which provide for contrary or additional rights.

## 11. ASSIGNMENT AND SUBLEASE.

### 11.1 Subleases.

11.1.1 Definition. The term "**Sublease**" shall mean any lease, license, permit, concession or other interest in the Premises or the Improvements, or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee's interest under this Lease. "**Sublessee**" shall be the person or entity to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess or use all or substantially all of the Premises is sometimes referred to in this Lease as a "**Major Sublease**" and the Sublessee under such agreement is sometimes referred to in this Lease as a "**Major Sublessee**".

11.1.2 Approval Required. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease or an Approved Storage, Trailer or Locker Lease (as such term is defined below), or of any assignment or material amendment of such Sublease, Lessee shall submit a copy of such Sublease (or assignment or amendment thereof), to Director for approval, which approval shall not be unreasonably withheld or conditioned. To the extent practical, Director shall approve or disapprove said proposed Sublease, amendment or assignment within thirty (30) days after receipt thereof. In no event, however, shall any such Sublease, amendment or assignment be made or become effective without the prior approval of Director. Each such Sublease shall specifically provide that the Sublessee shall comply with all of the terms, covenants, and conditions of this Lease applicable to the portion of the Premises subject to the Sublease. If Director disapproves a Sublease, Director shall notify Lessee in writing of the reason or reasons for such disapproval.

Notwithstanding any contrary provision of this Article 11, but subject to Section 3.1 of this Lease, Lessee shall not be required to obtain County's approval of any Sublease or license of an individual dry stack storage space, trailer or locker in the ordinary course (but not the master lease of multiple units) to a person or persons, as long as such Sublease or license agreement is in the form of the standard dry stack storage lease, trailer lease or locker agreement hereafter submitted to and approved by County and the term of such Sublease or license does not exceed twelve (12) months (each, an "**Approved Storage, Trailer or Locker Lease**"). The terms and provisions of Sections 11.2 and 11.3 of this Lease shall not be applicable to Approved Storage, Trailer or Locker Leases. Upon request by County, Lessee shall furnish County with a current rent roll respecting the Approved Storage, Trailer or Locker Leases and a copy of all of such Approved Storage, Trailer or Locker Leases.

11.1.3 Major Sublease. Lessee shall enter into a Major Sublease only with a reputable owner or manager of comparable anchorage and related commercial facilities such as exist on the Premises. In light of the inherent detailed nature of a Major Sublease, Lessee shall deliver to County a copy of any proposed Major Sublease, or any sub-sublease or any other document pursuant to which an interest is proposed to be transferred in all or substantially all of the Premises, not less than forty-five (45) days prior to the proposed effective date of such proposed Major Sublease or other document, for County's review and approval pursuant to the procedures and requirements specified in Section 11.2.

11.2 Approval of Assignments and Major Subleases. Except as specifically provided in this Article 11, Lessee shall not, without the prior written consent of County, which shall be based upon factors described in Exhibit C hereto, which is incorporated herein by this reference ("**Assignment Standards**"), and which shall be applied in a commercially reasonable manner, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein (excluding an Approved Storage, Trailer or Locker Lease, but including without limitation the right to manage or otherwise operate the Improvements located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of all or substantially all of the Premises. Notwithstanding the foregoing, Lessee shall have the right, without the prior approval of County, to retain an affiliate of Lessee as the property manager for the Premises. Any Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee (as opposed to an assignment of the Lease) shall not require County consent if it is an Excluded Transfer. If such Change of

Ownership with respect to beneficial ownership interests is not an Excluded Transfer, then it shall require County's consent as if it constituted an assignment of Lessee's interest in this Lease. For avoidance of doubt, any actual assignment of Lessee's interest in this Lease shall require County consent even if it is an Excluded Transfer; provided, however, that in the case of an assignment of the Lessee's interest in the Lease that constitutes an Excluded Transfer, Director shall have the authority to grant consent on behalf of County. In addition, for purposes of this provision, the following (except for Excluded Transfers) shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (b) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; or (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock, partnership interests or limited liability company interests in an entity which owns, or is a general partner or managing member of an entity which owns, an interest in this Lease. Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the matters provided herein requiring County's consent. These same limitations and approval requirements as to Lessee's interest under the Lease shall also apply with respect to the Sublessee's interest under a Major Sublease.

11.2.1 County's Use of Discretion and Limitation on Permissible Assignees. Prior to the CO Date, County shall have the right to withhold its consent to any assignment or Major Sublease in its sole and absolute discretion. After the CO Date, County shall not unreasonably withhold or delay its consent to a proposed assignment or Major Sublease if (a) the assignee or Major Sublessee, either directly or through its affiliate or through a contractual relationship with a third party anchorage management company that will operate and manage the Premises, has adequate experience in the operation of anchorage facilities comparable to the Premises; and (b) the Assignment Standards are satisfied to the reasonable satisfaction of County. If County withholds its consent to an assignment or Major Sublease, County shall notify Lessee in writing of the reason or reasons for such disapproval.

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any interest therein shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

11.2.3 Procedure. Requests for approval of any proposed assignment shall be processed in accordance with the following procedures:

11.2.3.1 Prior to entering into any agreement requiring the approval of County pursuant to this Sections 11.1 or 11.2, Lessee (or the entity seeking approval of such assignment) shall notify County and deliver to County all information reasonably relevant to the proposed assignment, including without limitation any term sheets, letters of intent, draft Major

Subleases, any other documents which set forth any proposed agreement regarding the Premises and the information set forth in Subsection 11.2.3.5. County will evaluate the information provided to it and County may request additional information as may be reasonably necessary to act on the request. Under no circumstances will County discuss an assignment with any proposed assignee without providing Lessee the right to be present at any such discussion.

11.2.3.2 In completing its review of the proposal and granting or withholding its consent thereto, County will not be bound by any deadline contained in any proposed assignments, Major Subleases, escrow instructions or other agreements to which County is not a party.

11.2.3.3 Lessee acknowledges that the time needed for County to review a proposed assignment depends on many factors, including without limitation the complexity of the proposed transaction, the financial and other information submitted for review, and the workload of County's personnel. Notwithstanding the foregoing, County shall act as promptly as governmental processes permit in processing and acting upon a requested approval of an assignment of Lessee's interest under this Article 11.

11.2.3.4 Lessee shall be required to reimburse County for its Actual Costs incurred in connection with the proposed assignment, whether or not County ultimately grants its approval to the proposed assignment (without any duplication with any Administrative Charge payable under Section 4.6).

11.2.3.5 Lessee or the proposed assignee shall provide County with sufficient information for County to determine if the public interest will be served by approving the proposed transaction. The information that must be provided includes, but shall not be limited to, the following:

(a) Nature of the Assignee. Full disclosure is required in accordance with this Lease and County's applicant disclosure policy then in effect. Additionally, a flowchart identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County's disclosure policy, has had any leasehold or concessionaire's interest canceled or terminated by the landlord due to the tenant or Lessee's breach or default thereunder.

(b) Financial Condition of Assignee. County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee's financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) Financial Analysis. County shall be provided with the proposed assignee's financing plan for the operation of the Premises (unless the assignment is pursuant to a Change of Ownership that is an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial interests in the constituent owners of Lessee, and following such transfer

there is no intended change in the financing plan for the operation and improvement of the Premises) and for any contemplated improvement thereof, demonstrating such proposed assignee's financial capability to so operate the Premises and construct such improvements. Such financing plan shall include, but not be limited to, information detailing (1) equity capital; (2) sources and uses of funds; (3) terms of financing; (4) debt service coverage and ratio; and (5) loan to value ratio. The proposed assignee shall also provide County with documentation demonstrating such proposed assignee's financial viability, such as letters of commitment from financial institutions which demonstrate the availability of sufficient funds to complete any proposed construction or improvements on the Premises. Further, such proposed assignee shall authorize the release of financial information to County from financial institutions relating to the proposed assignee or other information supplied in support of the proposed assignment.

(d) Business Plan. County shall be provided with the proposed assignee's business plan for the Premises (unless the assignment is pursuant to a Change of Ownership that constitutes an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the business plan for the Premises), including pro forma financial projections for the Premises for the five (5) year period beginning upon the commencement of the proposed assignment. Such pro forma projections will include capital costs, income and expenses, as well as debt service and all other payments to providers of debt and equity, and will be accompanied by a statement of basic assumptions and an identification of the sources of the data used in the production of such projections.

(e) Assignor's Financial Statements. County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

(f) Cure of Defaults. County shall be provided with the proposed assignee's specific plans to cure any and all delinquencies under this Lease which may be identified by County, whether identified before or after the date of the proposed assignment.

(g) Prospectus Materials. County shall be provided with any materials distributed to third parties relating to the business of the proposed assignee to be conducted on, from or relating to the Premises.

(h) Other Information. County shall be provided with a clear description of the terms and conditions of the proposed assignment, including a description of the proposed use of the Premises and any proposed alterations or improvements to the Premises. Additionally, County shall be provided with any and all other non-confidential information which it reasonably requests of Lessee in connection with its review of the proposed transaction, including without limitation materials pertinent to the issues noted in this Subsection to the extent that they exist, such as escrow instructions, security agreements, personal property schedules, appraisals, market reports, lien releases, UCC Statements, preliminary title reports, management agreements affecting the Premises, contracts in excess of \$25,000 affecting the Premises, schedules of pending or threatened litigation, and attorneys' closing opinions relating to Lessee, the proposed assignee or the

Premises. County shall endeavor to keep the foregoing materials confidential, subject to the Public Records Act and other Applicable Laws.

11.2.3.6 Nondisturbance. At the request of Lessee, County shall agree to execute a subordination, nondisturbance and attornment agreement and a ground lessor's estoppel certificate on commercially reasonable terms in favor of any Major Sublessee.

11.2.3.7 Final Documents. Prior to granting its approval over any proposed assignment, County shall be provided with an executed Assignment and Acceptance of Assignment in form and content as reasonably approved or supplied by County. Ten (10) copies of each must be submitted to County, of which five (5) shall be signed originals and properly acknowledged.

11.2.4 County Right to Recapture. If Lessee proposes to assign its interest in this Lease, proposes to enter into any Major Sublease affecting the Premises or proposes to transfer a Controlling Interest in Lessee, in each case excluding any Excluded Transfer (with any such proposed transaction herein referred to as a "**Proposed Transfer**"), it shall provide County with written notice of such desire, which notice shall include the sale price ("**Lessee Sale Price**") at which it is willing to consummate the Proposed Transfer. For purposes hereof, a "**Controlling Interest**" in Lessee shall mean fifty percent (50%) or more of the direct or indirect beneficial interest in Lessee. Within thirty (30) days thereafter, County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said thirty (30) day period, Lessee may market the interest subject to the Proposed Transfer, provided that such interest is offered subject to County's rights as provided in this Subsection 11.2.4. In the event that, prior to the expiration of said thirty (30) day period, County has given notice to Lessee that it has elected to acquire said option, Lessee shall deliver to County an assignable option to purchase the interest subject to the Proposed Transfer ("**County Option**") at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. At Lessee's request, any third party granted access to the Premises or Lessee's books and records pursuant to this Subsection 11.2.4 shall be required to execute a right-of-entry and confidentiality agreement on commercially reasonable terms. In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, County shall pay to Lessee at the expiration of the County Option period (or, at County's election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum (the "**County Option Price**") which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County's election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to cause Lessee to issue the County Option within said thirty (30) day period, or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then during the nine (9) month period following the later of (a) or (b), Lessee shall be entitled to enter into an agreement to consummate the Proposed Transfer with a third party (subject to County's approval rights as otherwise set forth in this Lease) so long as (1) the actual price for the Proposed Transfer is equal to or greater than ninety-five percent (95%) of the Lessee Sale Price last offered

to County and upon no more favorable material terms to the assignee and (2) the transfer is consummated not later than twelve (12) months after the later of (a) or (b) (which twelve (12) month period shall be extended to the extent the closing is delayed due to a delay by County in approving the transaction within sixty (60) days after County has received a notice from Lessee requesting County's approval of such transaction and all information required by County under this Lease to permit County to evaluate the transaction). In the event of a proposed Major Sublease, County's election shall pertain to such portion of the Premises subject to the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced and Lessee's obligation to pay Percentage Rent shall pertain only to the amounts derived from the portion of the Premises retained by Lessee. In the event that County elects to recapture all or any portion of the Premises as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination. County's rights pursuant to this Subsection 11.2.4 shall not apply to (I) Financing Events or (II) those events identified in Subsection 4.6.2 of this Lease.

11.2.5 County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent, Percentage Rent, and all other amounts payable under the Lease, if any (including a provisional credit in an amount reasonably acceptable to County for any amounts that may arise from an audit by County, but that have not yet been determined as of that date), with late fees and interest as provided herein, from the end of the period most recently subject to County audit through the date of the purchase of the interest by County. In the case of any unpaid rental amounts that may be found to be owing to County in connection with any uncompleted audit by County, in lieu of a provisional credit for such amounts, Lessee may provide County with a letter of credit or other security satisfactory to County to secure the payment of such unpaid amounts when finally determined by County. During the term of the County Option, Lessee shall cause to be available to County all books and records reasonably necessary in order to determine the amount of such unpaid Annual Minimum Rent, Percentage Rent, and other amounts payable under the Lease. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

11.3 Terms Binding Upon Successors, Assigns and Sublessees. Except as otherwise specifically provided for herein, each and all of the provisions, agreements, terms, covenants, and conditions herein contained to be performed, fulfilled, observed, and kept by Lessee hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of Lessee, and all rights, privileges and benefits arising under this Lease in favor of Lessee shall be available in favor of its heirs, executors, administrators, successors, and assigns. Notwithstanding the foregoing, no assignment or subletting by or through Lessee in violation of the provisions of this Lease shall vest any rights in any such assignee or Sublessee. Any approved assignment of this Lease shall release the assignor of all liability arising due to actions or omissions on or after the



effective date of such assignment, provided the assignee assumes all of such liability, including without limitation the obligation of assignee to cure any defaults and delinquencies under this Lease and to pay County Percentage Rent and any other amounts attributable to the period prior to the assignment, but not discovered by County or the assignee until after the assignment; provided, further, the assignor shall not be relieved of any liability for the payment of the Administrative Charge or the required portion of any Net Proceeds Share or Net Refinancing Proceeds which arise upon such assignment as provided herein.

## 12. ENCUMBRANCES.

### 12.1 Financing Events.

12.1.1 Definitions. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof: (i) a “**Financing Event**” shall mean any financing or refinancing consummated by Lessee or by the holders of partnership interests or other direct or indirect ownership interests in Lessee (collectively, “**Ownership Interests**”), whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below); for purposes of Section 12.1.2 below and Sections 4.6 through 4.8 above, a “**Financing Event**” shall also include all of the foregoing actions involving the granting of a mortgage, deed of trust or other security interest in a Major Sublease; and (ii) an “**Encumbrance**” shall mean any direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance, of or in all or any portion of (A) Lessee’s interest under this Lease and the estate so created (including without limitation a direct or indirect assignment of Lessee’s right to receive rents from subtenants) or (B) Ownership Interests if an absolute assignment from the holder of such Ownership Interests to the holder of the Encumbrance would have required County’s consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the “**Encumbrance Holder**”) as security for a loan. The term “**Encumbrance Holder**” shall also be deemed to include any and all affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance, or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the leasehold estate under this Lease or to Ownership Interests, and such affiliates shall enjoy all of the rights and protections given to Encumbrance Holders under this Lease. The term “**Equity Encumbrance Holder**” shall mean an Encumbrance Holder holding an Encumbrance with respect to Ownership Interests.

12.1.2 County Approval Required. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific conditions which may be reasonably imposed by Director, consummate one or more Financing Event(s). Lessee shall submit to Director a preliminary loan package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment (or the so-called “loan application” if the loan commitment is styled as a loan application) and any other documents, materials or other information reasonably requested by Director. Lessee shall have the right, but not the obligation, to include draft loan documents in the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Development Work) to grant or withhold approval of the preliminary loan package. Director shall have sixty (60) days (thirty (30)

days for the initial construction loan for the Development Work) after receipt of substantially complete loan documents conforming to the approved preliminary loan package in which to grant or withhold final approval of the Financing Event; provided, however, that if the preliminary loan package included draft loan documents then the foregoing sixty (60) day period shall be reduced to thirty (30) days. If not approved by Director in writing within the foregoing periods, the proposed Financing Event shall be deemed disapproved by Director (and, if so requested in writing by Lessee), Director shall within thirty (30) days of such request deliver to Lessee a written description of Director's objections to said proposed Financing Event). Lessee shall reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. The same rights and obligations set forth above in this Subsection 12.1.2 shall inure to the benefit of and shall be binding upon any holder of Ownership Interests with respect to any proposed Financing Event involving Ownership Interests.

## 12.2 Consent Requirements In The Event of a Foreclosure Transfer.

12.2.1 Definitions. As used herein, a **"Foreclosure Transfer"** shall mean any transfer of the entire leasehold estate under this Lease or of all of the Ownership Interests in Lessee pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or with respect to an Encumbrance, or by voluntary deed or other transfer in lieu thereof. A **"Foreclosure Transferee"** shall mean any transferee (including without limitation an Encumbrance Holder) which acquires title to the entire leasehold estate under this Lease or to all of the Ownership Interests in Lessee pursuant to a Foreclosure Transfer. An **"Equity Foreclosure Transferee"** shall mean a Foreclosure Transferee whose acquired interest consists of all of the Ownership Interests in Lessee.

12.2.2 Foreclosure Transfer. The consent of County shall not be required with respect to any Foreclosure Transfer.

12.2.3 Subsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of this Lease or the Ownership Interests (as applicable) by such Encumbrance Holder to any third party, (i) County's consent to such transfer shall be required, but shall not be unreasonably withheld or delayed, and the scope of such consent (notwithstanding anything in this Lease to the contrary) shall be limited to County's confirmation (which must be reasonable) that the Lessee following such transfer has sufficient financial capability to perform its remaining obligations under this Lease as they come due, along with any obligation of Lessee for which the Foreclosure Transferee from whom its receives such transfer is released under Subsection 12.3.1 below, and (ii) such transferee (other than a transferee of Ownership Interests) shall expressly agree in writing to assume and to perform all of the obligations under this Lease, other than Excluded Defaults (as defined below). For clarification purposes, the right to a single transfer under this Section shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, so that there may be more than one "single transfer" under this Section.

12.3 Effect of Foreclosure. In the event of a Foreclosure Transfer, the Encumbrance Holder shall forthwith give notice to County in writing of such transfer setting forth the name and

address of the Foreclosure Transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made.

12.3.1 Any Encumbrance Holder which is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial real estate loans, including any affiliate thereof (an “**Institutional Lender**”), shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults as defined below) accruing during its period of ownership of the leasehold. Upon a subsequent transfer of the leasehold in accordance with Subsection 12.2.3 above, such Institutional Lender shall be automatically released of any further liability with respect to this Lease, other than for (i) rent payments, property tax payments, reserve account payments and other monetary obligations under specific terms of the Lease that accrue solely during such Institutional Lender’s period of ownership of the leasehold, and (ii) Lessee’s indemnification obligations under this Lease with respect to matters pertaining to or arising during such Institutional Lender’s period of ownership of leasehold title.

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Subsection 12.3.1 above) shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults), subject to possible release of liability upon a subsequent transfer pursuant to Section 11.3 above.

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is an incurable non-monetary default, (ii) is a non-monetary default that can only be cured by a prior lessee, (iii) is a non-monetary default that is not reasonably susceptible of being cured by such transferee, or (iv) relates to any obligation of a prior lessee to pay any Net Proceeds Share (collectively, “**Excluded Defaults**”), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Subsection 12.3.7 below, following any Foreclosure Transfer which is a transfer of Ownership Interests, the foregoing rights under this Subsection 12.3.3 shall also inure to the benefit of the Lessee.

12.3.4 No Encumbrance Holder shall become liable for any of Lessee’s obligations under this Lease unless and until such Encumbrance Holder becomes a Foreclosure Transferee with respect to Lessee’s leasehold interest under the Lease.

12.3.5 No Foreclosure Transfer, and no single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to Subsection 12.2.3, shall trigger (i) any obligation to pay an Administrative Charge nor any Net Proceeds Share, (ii) any acceleration of any other financial obligation of Lessee under this Lease, (iii) any recapture right

on the part of County, or (iv) any termination right under this Lease. Any Foreclosure Transfer, and any single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to Subsection 12.2.3, shall be deemed to be excluded from the definition of “Change of Ownership” for all purposes of this Lease. For clarification purposes, the “single subsequent transfer” referred to above applies to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder (as more fully explained in Subsection 12.2.3), so that there may be more than one “single subsequent transfer” benefited by this Section.

12.3.6 In the event that an Institutional Lender becomes a Foreclosure Transferee, all obligations with respect to the Development Work or Second Dock Replacement described in Sections 5.1 or 5.11 above shall be tolled for a period of time, not to exceed twelve months, until such Institutional Lender completes a subsequent transfer of its foreclosed interest in the Lease or Ownership Interests, provided that such Institutional Lender is making commercially reasonable and diligent efforts to market and sell its foreclosed interest. Nothing in this Subsection 12.3.6 shall be construed as a limit or outside date on any cure periods provided to Encumbrance Holders under this Lease.

12.3.7 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.

12.4 No Subordination. County’s rights in the Premises and this Lease, including without limitation County’s right to receive Annual Minimum Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with Subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

12.5 Modification or Termination of Lease. This Lease shall not be modified or amended without the prior written consent in its sole discretion of each then existing Encumbrance Holder with respect to Lessee’s entire leasehold interest in this Lease or all of the Ownership Interests in Lessee. Further, this Lease may not be surrendered or terminated (other than in accordance with the provisions of this Article 12) without the prior written consent of each such Encumbrance Holder in its sole discretion. No such modification, amendment, surrender or termination without

the prior written consent of each such then existing Encumbrance Holder shall be binding on any such Encumbrance Holder or any other person who acquires title to its foreclosed interest pursuant to a Foreclosure Transfer.

## 12.6 Notice and Cure Rights of Encumbrance Holders and Major Sublessees.

12.6.1 Right to Cure. Each Encumbrance Holder and Major Sublessee shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, and in accordance with the provisions of this Article 12, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.

12.6.2 Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 10.4), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.4.

12.6.3 Manner of Curing Default. Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

(a) If the Event of Default is in the payment of rental, taxes, insurance premiums, utility charges or any other sum of money, an Encumbrance Holder or the Major Sublessee may pay the same, together with any Late Fee or interest payable thereon, to County or other payee within thirty five (35) days after its receipt of the aforesaid notice of default. If, after such payment to County, Lessee pays the same or any part thereof to County, County shall refund said payment (or portion thereof) to such Encumbrance Holder or Major Sublessee.

(b) If the Event of Default cannot be cured by the payment of money, but is otherwise curable, the default may be cured by an Encumbrance Holder or Major Sublessee as follows:

(1) The Encumbrance Holder or Major Sublessee may cure the default within sixty (60) days after the end of Lessee's cure period as provided in Section 13.1 hereof (or, if the default involves health, safety or sanitation issues, County may by written notice reduce such sixty (60) day period to thirty (30) days, such 60 or 30 day period, as applicable, being referred to herein as the "initial cure period"), provided, however, if the curing of such default reasonably requires activity over a longer period of time, the initial cure period shall be extended for such additional time as may be reasonably necessary to cure such default, so long as the Encumbrance Holder or Major Sublessee commences a cure within the initial cure period and thereafter continues

to use due diligence to perform whatever acts may be required to cure the particular default. In the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's initial cure period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

## 12.7 New Lease.

12.7.1 Obligation to Enter Into New Lease. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within sixty (60) days after such Encumbrance Holder has received the above-described written notice from the County. Within a reasonable

period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in Subsection 12.2.3 above, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

12.7.2 Priority of New Lease. The new lease made pursuant to this Section 12.7 shall be prior to any mortgage or other lien, charge or encumbrance on County's fee interest in the Premises, and any future fee mortgagee or other future holder of any lien on the fee interest in the Premises is hereby given notice of the provisions hereof.

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of (i) any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the Improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease), and (ii) any funds required to be held in the Capital Improvement Fund (provided that such funds shall be used for the purposes required by this Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

12.9 Participation in Certain Proceedings and Decisions. Any Encumbrance Holder shall have the right to intervene and become a party in any arbitration, litigation, condemnation or other proceeding affecting this Lease. Lessee's right to make any election or decision under this Lease with respect to any condemnation settlement, insurance settlement or restoration of the Premises following a casualty or condemnation shall be subject to the prior written approval of each then existing Encumbrance Holder.

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

12.11 No Merger. Without the written consent of each Encumbrance Holder, the leasehold interest created by this Lease shall not merge with the fee interest in all or any portion of the Premises, notwithstanding that the fee and leasehold interests are held at any time by the same person or entity.

### 13. DEFAULT.

13.1 Events of Default. The following are deemed to be “**Events of Default**” hereunder:

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, deposits to the Capital Improvement Fund), within ten (10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, within such ten (10) day period.

13.1.2 Maintenance of Security Deposit. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 7 of this Lease if not cured within ten (10) days after written notice of such failure.

13.1.3 Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee’s failure to perform from Director; provided, however, that where Lessee’s performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time. Notwithstanding any contrary provision of this Section 13.1.3, the proviso set forth in the immediately preceding sentence providing for an extension of the cure period beyond thirty five (35) days shall not be applicable to any failure of Lessee to comply with the Required Construction Commencement Date or Required Construction Completion Date set forth in Section 5.1 (as such dates may be extended pursuant to Sections 5.6).

13.1.4 Non-Use of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof (excluding the County Sublease Premises during the term of the County Sublease), for a period of thirty five (35) days after written notice by County, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease.

Any notice required to be given by County pursuant to Subsections 13.1.1 through and including 13.1.3 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

13.2 Limitation on Events of Default. Except with respect to breaches or defaults with respect to the payment of money, Lessee shall not be considered in default as to any provision of this Lease (and no late fees or interest will be incurred) to the extent such default is the result of



or pursuant to, any process, order, or decree of any court or regulatory body with jurisdiction, or any other circumstances which are physically or legally impossible to cure provided Lessee uses due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.6 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 Terminate Lease. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all of Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination under this Subsection shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in Subsection 13.4.3, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, and shall permit such access to the Premises as is reasonably necessary to permit Lessee to comply with its removal obligations.

13.3.2 Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises and allows Lessee to assign or sublet subject only to County's rights set forth herein, County may continue this Lease in effect and bring suit from time to time for rent and other sums due, and for Lessee's breach of other covenants and agreements herein. No act by or on behalf of County under this provision shall constitute a termination of this Lease unless County gives Lessee written notice of termination. It is the intention of the parties to incorporate the provisions of California Civil Code Section 1951.4 by means of this provision.

13.3.3 Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to Subsection 13.3.2, thereafter County may elect to terminate this Lease and all of Lessee's rights in or to the Premises unless prior to such termination Lessee shall have cured the Event of Default or shall have satisfied the provisions of Section 13.2, hereof. County agrees to use reasonable efforts to mitigate damages.

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

13.4.2 Post-Termination Rent. The worth, at the time of the award, of the unpaid rent that would have been earned under this Lease after the date of termination of this Lease until the date Lessee surrenders possession of the Premises to County; and

13.4.3 Other Amounts. The amounts necessary to compensate County for the sums and other obligations which under the terms of this Lease become due prior to, upon or as a result of the expiration of the Term or sooner termination of this Lease, including without limitation, those amounts of unpaid taxes, insurance premiums and utilities for the time preceding surrender of possession, the cost of removal of rubble, debris and other above-ground Improvements, attorney's fees, court costs, and unpaid Administrative Charges, Net Proceeds Shares and Net Refinancing Proceeds.

13.5 Others' Right to Cure Lessee's Default. County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this section), at any time after Lessee's failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee's cost and expense. If, after delivering to Lessee two (2) or more written notices with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars (\$1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6 Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days' notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any provision or provisions of this Lease shall not exceed the value of County's equity interest in the Premises and its right to insurance proceeds in connection with the policies required under Article 9 hereof.

#### 14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Minimum Rent, Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or a Sublessee's, as

applicable) other business operations, if any. With respect to the calculation of Gross Receipts and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) expenses are accrued on an approximate basis each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, (B) delinquent rents due from anchorage/dry stack/trailer/locker tenants that are individual persons (but not corporate tenants) are not accrued, but instead are reported monthly on a cash basis with full reconciliation to accrual treatment on the annual statement of Gross Receipts, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

14.2 Cash Registers. To the extent retail sales are conducted on the Premises, or other cash or credit sales of goods or services are conducted, all such sales shall be recorded by means of cash registers or computers which automatically issue a customer's receipt or certify the amount recorded in a sales slip. Said cash registers shall in all cases have locked-in sales totals and transaction counters which are constantly accumulating and which cannot, in either case, be reset, and in addition thereto, a tape (or other equivalent security mechanism) located within the register on which transaction numbers and sales details are imprinted. Beginning and ending cash register readings shall be made a matter of daily record.

Lessee shall cause to be implemented point of sale systems which can accurately verify all sales for audit purposes and customer review purposes, which system shall be submitted to Director in advance of installation for his approval, which approval shall not be unreasonably withheld, conditioned or delayed.

Lessee's obligations set forth in this Section 14.2 include Lessee's obligation to insure that Lessee's Sublessees (including licensees, permittees, concessionaires and any other occupants of any portion of the Premises) keep records sufficient to permit County and County's auditors to determine the proper levels of Percentage Rent and other sums due under this Lease.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Gross Receipts during the preceding calendar month, together with its calculation of the amount payable to County under Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Gross Receipts derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not

Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

14.5 Cost of Audit. In the event that, for any reason, Lessee does not make available its (or its Sublessee's) original records and books of account at the Premises or at a location within Los Angeles County, Lessee agrees to pay all expenses incurred by County in conducting any audit at the location where said records and books of account are maintained. In the event that any audit discloses a discrepancy in County's favor of greater than two percent (2%) of the revenue due County for the period audited, then Lessee shall pay County audit contract costs, together with the amount of any identified deficiency, with interest thereon and Late Fee provided by Section 4.5.

14.6 Additional Accounting Methods. Upon written notice from County, County may require the installation of any additional accounting methods or machines which are typically used by major boat anchorage management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

14.7 Accounting Year. The term "**Accounting Year**" as used herein shall mean each calendar year during the Term.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, or at Lessee's election, after the completion of Lessee's fiscal year, Lessee shall furnish to County certified statements of Gross Receipts (including a breakdown by Percentage Rent category) and the amount of any Permitted Capital Expenditures for such Accounting Year prepared by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is reasonably satisfactory to County (a "**Qualified CPA**"). All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all Sublessees and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records and the delivery to County of audited certified financial statements and unqualified opinions as to Gross Receipts. County shall provide written notice to Lessee of the failure of any Sublessee or other person or entity to comply with this Section after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such Sublessee or other person or entity, and accepted by County, or as otherwise determined pursuant to Section 14.10. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such Sublessee or other person or entity, to the extent Lessee does not have a direct right of enforcement against such Sublessee or other person or entity.

14.10 Inadequacy of Records. In the event that Lessee or its Sublessees (including licensees or concessionaires) fail to keep the records required by this Article 14 such that a

Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach, County may prepare a calculation of the Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage Rent due, if any, Lessee shall pay such Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due.

15. MISCELLANEOUS.

15.1 Quiet Enjoyment. Lessee, upon performing its obligations hereunder, shall have the quiet and undisturbed possession of the Premises throughout the Term of this Lease, subject, however, to the terms and conditions of this Lease.

15.2 Time is of the Essence. Except as specifically otherwise provided for in this Lease, time is of the essence of this Lease and applies to all times, restrictions, conditions, and limitations contained herein.

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

15.4.1.2 Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make no demands upon County for any construction, alterations, or any kind of labor that may be necessitated in connection therewith.

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate if and as otherwise

expressly provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil or groundwater thereon and thereunder existing as of the Effective Date, including without limitation, the presence of any Hazardous Substances on, in, under or about the Premises, Improvements, the adjoining or neighboring property, or ground or other subsurface waters, or any other environmental condition that affects the Premises as of the Effective Date, regardless of whether or not said conditions were known at the time of the execution of this instrument; provided, however, that this Subsection 15.4.1.3 shall not be applicable to any condition that Lessee proves was caused by the operations of County, its employees, agents or contractors on the Premises during the period between the date of the Option Agreement and the Effective Date of this Lease in violation of Applicable Law pertaining to the storage, use or release of Hazardous Substances, and County agrees to remedy such condition to the extent required under Applicable Law. The waiver and release set forth in this Subsection 15.4.1.3 shall not apply to the Excluded Conditions.

15.4.1.4 California Civil Code Section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

By initialing this paragraph, Lessee acknowledges that it has read, is familiar with, and waives the provisions of California Civil Code §1542 set forth above, and agrees to all of the provisions of Subsection 15.4.1.3 above.

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Lessee's Initials

15.4.2 Right of Offset. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's construction, maintenance and repair obligations set forth herein, and, notwithstanding anything to the contrary provided in this Lease or by applicable law, Lessee hereby waives any and all rights, if any, to make repairs at the expense of County and to deduct or offset the cost thereof from the Annual Minimum Rent, Monthly Minimum Rent, Percentage Rent or any other sums due County hereunder.

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent and Percentage Rent rates in effect at the end of the Term shall be increased to one hundred twenty-five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time

periods herein provided for such removal, except as expressly provided in Subsection 2.3.2 with respect to any Post Term Removal Period.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant ground lessee (or subtenant) arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

15.6 Waiver of Conditions or Covenants. Except as stated in writing by the waiving party, any waiver by either party of any breach of any one or more of the covenants, conditions, terms, and agreements of this Lease shall not be construed to be a waiver of any subsequent or other breach of the same or of any other covenant, condition, term, or agreement of this Lease, nor shall failure on the part of either party to require exact full and complete compliance with any of the covenants, conditions, terms, or agreements of this Lease be construed as in any manner changing the terms hereof or estopping that party from enforcing the full provisions hereof, nor shall the terms of this Lease be changed or altered in any manner whatsoever other than by written agreement of County and Lessee. No delay, failure, or omission of County to re-enter the Premises or of either party to exercise any right, power, privilege, or option, arising from any default, nor any subsequent acceptance of rent then or thereafter accrued shall impair any such right, power, privilege, or option or be construed as a waiver of or acquiescence in such default or as a relinquishment of any right. No notice to Lessee shall be required to restore or revive "time of the essence" after the waiver by County of any default. Except as specifically provided in this Lease, no option, right, power, remedy, or privilege of either party shall be construed as being exhausted by the exercise thereof in one or more instances.

15.7 Remedies Cumulative. The rights, powers, options, and remedies given County by this agreement shall be cumulative except as otherwise specifically provided for in this Lease.

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises in the case of an Event of Default, or in case of abandonment or vacation of the Premises by Lessee, Lessee hereby irrevocably authorizes County to enter upon the Premises and remove any and all persons and property whatsoever situated upon the Premises and place all or any portion of said property, except such property as may be forfeited to County, in storage for the account of and at the expense of Lessee.

Except to the extent arising out of or caused by the gross negligence or willful misconduct of County, Lessee agrees to indemnify, defend and save harmless County from any cost, expense, loss or damage arising out of or caused by any such entry or re-entry upon the Premises in the case

of an Event of Default, including the removal of persons and property and storage of such property by County and its agents.

15.9 Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or delivered to the Department. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

15.10 Service of Written Notice or Process. Any notice required to be sent under this Lease shall be in compliance with and subject to this Section 15.10. If Lessee is not a resident of the State of California, or is an association or partnership without a member or partner resident of said State, or is a foreign corporation, Lessee shall file with Director a designation of a natural person residing in the County of Los Angeles, State of California, or a service company, such as CT Corporation, which is authorized to accept service, giving his or its name, residence, and business address, as the agent of Lessee for the service of process in any court action between Lessee and County, arising out of or based upon this Lease, and the delivery to such agent of written notice or a copy of any process in such action shall constitute a valid service upon Lessee.

If for any reason service of such process upon such agent is not possible, then any officer of Lessee may be personally served with such process outside of the State of California and such service shall constitute valid service upon Lessee; and it is further expressly agreed that Lessee is amenable to such process and submits to the jurisdiction of the court so acquired and waives any and all objection and protest thereto.

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested (or other similar evidence of delivery by overnight delivery service) and postage or other delivery charges prepaid, by registered or certified mail posted in the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the date of delivery or attempted delivery in the case of registered or certified mail, as evidenced by the mail receipt (but in any case not later than the date of actual receipt).

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

As of the date of execution hereof, the persons authorized to receive notice on behalf of County and Lessee are as follows:



COUNTY: Director  
Department of Beaches and Harbors  
Los Angeles County  
13837 Fiji Way  
Marina del Rey, California 90292  
Phone: 310/305-9522  
Fax: 310/821-6345

With a Copy to: Office of County Counsel  
Los Angeles County  
500 West Temple Street  
Los Angeles, California 90012  
Attn: County Counsel  
Phone: 213/974-1801  
Fax: 213/617-7182

LESSEE: MDR Boat Central, L.P.  
c/o Pacific Marina Development, Inc.  
3416 Via Lido, Suite G  
Newport Beach, CA 92663  
Attn: Mr. Thomas J. Hogan  
Phone: 949/673-6310  
Fax: 949/673-6331

With a Copy to: Cox, Castle & Nicholson LLP  
2029 Century Park East  
Suite 2100  
Los Angeles, California 90067  
Attn: Ira J. Waldman, Esq.  
Phone: 310/284-2200  
Fax: 310/284-2100

And to: Clark Trevithick  
800 Wilshire Boulevard  
12th Floor  
Los Angeles, CA 90017  
Attn: Kevin P. Fiore, Esq.  
Phone: 213/629-5700  
Fax: 213/624-9441

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is specifically provided herein) from the date such sums were first advanced, until the time payment

is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Minimum Rent and Percentage Rent.

15.12 Captions. The captions contained in this Lease are for informational purposes only, and are not to be used to interpret or explain the particular provisions of this Lease.

15.13 Attorneys' Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Lease, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys' fees, including without limitation reasonable attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party, and also including all fees, costs and expenses incurred in executing, perfecting, enforcing and collecting any judgment.

15.14 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease. Subject to Section 16.13, no amendment shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

15.15 Time For Director Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of Director is required, approval shall be deemed not given unless within thirty (30) days after the date of the receipt of the written request for approval from Lessee, Director either (a) approves such request in writing, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a final date for approval or disapproval by Director (the "**Extended Time**") and approves such request in writing prior to such Extended Time. If Director does not approve such request in writing within such Extended Time, the request shall be deemed to be disapproved. If Director disapproves a matter that requires its approval under this Lease, then Director shall notify Lessee in writing of the reason or reasons for such disapproval.

15.16 Time For County Action. Notwithstanding anything to the contrary contained in this Lease, wherever Director determines that a County action required hereunder necessitates approval from or a vote of one or more of County's boards or commissions or County's Board of Supervisors, the time period for County performance of such action shall be extended as is reasonably necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.17 Estoppel Certificates. Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case); and (iii) if requested, the amount of the Security Deposit, Annual Minimum Rent, Percentage Rent and other material economic terms and

conditions of this Lease. Prospective purchasers, Major Sublessees and Encumbrance Holders may rely on such statements.

15.18 Indemnity Obligations. Whenever in this Lease there is an obligation to indemnify, hold harmless and/or defend, irrespective of whether or not the obligation so specifies, it shall include the obligation to defend and pay reasonable attorney's fees, reasonable expert fees and court costs.

15.19 Controlled Prices. Lessee shall at all times maintain a complete list or schedule of the prices charged for all goods or services, or combinations thereof, supplied to the public on or from the Premises, whether the same are supplied by Lessee or by its Sublessees, assignees, concessionaires, permittees or licensees. Said prices shall be fair and reasonable, based upon the following two (2) considerations: first, that the property herein demised is intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost; and second, that Lessee is entitled to a fair and reasonable return upon his investment pursuant to this Lease. In the event that Director notifies Lessee that any of said prices are not fair and reasonable, Lessee shall have the right to confer with Director and to justify said prices. If, after reasonable conference and consultation, Director shall determine that any of said prices are not fair and reasonable, the same shall be modified by Lessee or its Sublessees, assignees, concessionaires, permittees or licensees, as directed. Lessee may appeal the determination of Director to the Board, whose decision shall be final and conclusive. Pending such appeal, the prices fixed by Director shall be the maximum charged by Lessee.

15.20 Promenade. The Development Work includes the development by Lessee of a continuous pedestrian walkway with landscaping, lighting, seating, fencing and related improvements along the western side of the Premises and the Fiji Way frontage, and a public picnic area at the water's edge on the western side of the Premises (collectively, the "**Promenade**") as described in the Development Plan and in accordance with the Final Plans and Specifications for such work described in Article 5. County hereby reserves a public easement for access over and use of the Promenade for fire lane uses, pedestrian purposes and such other related uses (including, if approved by County, bicycling, rollerblading and similar activities) as may be established by County from time to time, all in accordance with such rules and regulations as are promulgated from time to time by County regulating such public use. Such public easement shall also include the public use of any restrooms that are designated on the Development Plan or Final Plans and Specifications as public restrooms. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the promenade and other similar public areas located on private leasehold properties in Marina del Rey established by County from time to time on a nondiscriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Subsection 5.7.7 of this Lease. At the request of either party, such legal description shall be recorded in the Official Records of Los Angeles County as a supplement to this Lease.

15.21 Management of Anchorage Improvements/Dockmaster. During the Term of the Lease, Lessee shall maintain a dockmaster program, and engage an experienced, professional marina management firm, reasonably acceptable to Director for the day to day full-time

management and operation of the Anchorage Improvements. After Director's approval of such management firm, Lessee shall not have the right to change the management firm without first obtaining the prior approval of Director, which approval shall not be unreasonably withheld, conditioned or delayed. If during the Term in the reasonable judgment of Director the then current management firm is performing in an unsatisfactory manner, then at the request of Director Lessee shall replace such management firm with a new management firm reasonably acceptable to Director. If during the Term the then current management firm terminates its contract, then Lessee shall have the right to replace such management firm with another management firm approved by Director, which approval shall not be unreasonably withheld, conditioned or delayed.

15.22 Seaworthy Vessels. On or before January 1, April 1, July 1 and October 1 of each year during the Term, Lessee shall deliver to Director a report which contains the following information with respect to every vessel (including floating homes as defined in Title 19 of the Los Angeles County Code) moored in the water at the Premises: (a) the name, address and telephone number of the registered owner (and slip tenant, if other than the registered owner) for each vessel; (b) the state registration or federal document number, and name (if any), of the vessel; (c) whether the vessel is a power vessel, sailing vessel or floating home; and (d) the slip number and length of the vessel, and whether the vessel is presently authorized by Lessee for liveaboard tenancy. In addition, Lessee shall require, and shall certify annually to Director, that as a condition of slip rental and continued slip tenancy, all new slip tenanted vessels from and after the immediately preceding certification (or in the case of the initial certification, from and after the Effective Date) have been required to pass seaworthiness inspection by the Harbor Patrol within sixty (60) days after such slip rental. Thereafter, all of Lessee's slip leases shall provide that any newly tenanted vessel which is unable to pass such inspection within the required period, or such reasonable extension thereof as may be granted in Director's sole discretion, shall be ineligible for continued slip tenancy on the Premises and shall be subject to removal from the Premises by Lessee in accordance with applicable law for non-compliance with the requirements of the slip lease. The requirements of the two preceding sentences shall not be applicable to any vessel which is specifically exempted from seaworthiness requirements by Title 19 of the Los Angeles County Code.

15.23 Pump-Out Station. If pump-out facilities are currently located on the Premises as of the Effective Date, and in any case on and after the completion of the Anchorage Improvements, Lessee shall operate in-dock pump-out facilities on the Premises for use of boat pump-out services at a nominal fee.

15.24 Parking Requirements. The Development Work includes the construction of 134 on-site surface parking spaces. Lessee agrees to provide managed parking services during peak operating times to facilitate available parking for an additional thirteen (13) vehicles. In all events, all parking required for the use of the Premises shall be provided on-site at the Premises.

## 16. ARBITRATION.

Except as otherwise provided by this Article 16, disputed matters which may be arbitrated pursuant to this Lease shall be settled by binding arbitration in accordance with the then existing provisions of the California Arbitration Act, which as of the date hereof is contained in Title 9 of Part III of the California Code of Civil Procedure, commencing with Section 1280.

(a) Either party (the “**Initiating Party**”) may initiate the arbitration process by sending written notice (“**Request for Arbitration**”) to the other party (the “**Responding Party**”) requesting initiation of the arbitration process and setting forth a brief description of the dispute or disputes to be resolved and the contention(s) of the Initiating Party. Within ten (10) days after service of the Request for Arbitration, the Responding Party shall file a “**Response**” setting forth the Responding Party’s description of the dispute and the contention(s) of Responding Party. If Responding Party has any “**Additional Disputes**” he shall follow the format described for the Initiating Party. The Initiating Party will respond within ten (10) days after service of the Additional Disputes setting forth Initiating Party’s description of the Additional Disputes and contentions regarding the Additional Disputes.

(b) Notwithstanding anything to the contrary which may now or hereafter be contained in the California Arbitration Act, the parties agree that the following provisions shall apply to any and all arbitration proceedings conducted pursuant to this Lease:

16.2 Selection of Arbitrator. The parties shall attempt to agree upon an arbitrator who shall decide the matter. If, for any reason, the parties are unable to agree upon the arbitrator within ten (10) days of the date the Initiating Party serves a request for arbitration on the Responding Party, then at any time on or after such date either party may petition for the appointment of the arbitrator as provided in California Code of Civil Procedure Section 1281.6.

16.3 Arbitrator. The arbitrator shall be a retired judge of the California Superior Court, Court of Appeal or Supreme Court, or any United States District Court or Court of Appeals located within the State, who has agreed to resolve civil disputes.

16.4 Scope of Arbitration. County and Lessee affirm that the mutual objective of such arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not apply or be used to determine issues other than (i) those presented to the arbitrator by the Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii) Additional Disputes presented to the arbitrator by the Responding Party, provided that any such Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator shall render an award. Either party may, at its sole cost and expense, request a statement of decision explaining the arbitrator’s reasoning which shall be in such detail as the arbitrator may determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party’s intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator’s award is not issued prior to the expiration of said specified period, the arbitration

shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

16.5 Immunity. The parties hereto agree that the arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of arbitrator pursuant to this Lease.

16.6 Section 1282.2. The provisions of Code of Civil Procedure § 1282.2 shall apply to the arbitration proceedings except to the extent they are inconsistent with the following:

(1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said § 1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

(2) No later than sixty (60) days prior to the date set for the hearing (unless, upon a showing of good cause by either party, the arbitrator establishes a different period), in lieu of the exchange and inspection authorized by Code of Civil Procedure § 1282.2(a)(2)(A), (B) and (C), the parties shall simultaneously exchange the following documents by personal delivery to each other and to the arbitrator:

(a) a written Statement of Position, as further defined below, setting forth in detail that party's final position regarding the matter in dispute and specific numerical proposal for resolution of monetary disputes;

(b) a list of witnesses each party intends to call at the hearing, designating which witnesses will be called as expert witnesses and a summary of each witness's testimony;

(c) a list of the documents each intends to introduce at the hearing, together with complete and correct copies of all of such documents; and,

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("**Reply**"). The Reply shall contain the following information:

(a) a written statement, to be limited to that party's rebuttal to the matters set forth in the other party's Statement of Position;

(b) a list of witnesses each party intends to call at the hearing to rebut the evidence to be presented by the other party, designating which witnesses will be called as expert witnesses;

(c) a list of the documents each intends to introduce at the hearing to rebut the evidence to be presented by the other party, together with complete and correct copies of all of

such documents (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such documents);

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence, or written critiques of the other party's Written Appraisal Evidence if any, each intends to introduce at the hearing to rebut the evidence presented by the other party, together with complete and correct copies of all of such Written Appraisal Evidence (unless, upon a showing of good cause by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

(e) Witnesses or documents to be used solely for impeachment of a witness need not be identified or produced.

(4) The arbitrator is not bound by the rules of evidence, but may not consider any evidence not presented at the hearing. The arbitrator may exclude evidence for any reason a court may exclude evidence or as provided in this Lease.

**16.7 Statements of Position.** The Statement of Position to be delivered by Section 16.5 shall comply with the following requirements:

(1) Where the dispute involves rent to be charged, market values, insurance levels or other monetary amounts, the Statements of Position shall numerically set forth the existing minimum rent, percentage rent, market value, insurance level and/or other monetary amounts in dispute, the party's proposed new minimum rent, percentage rent, market value, insurance level and/or other monetary amounts, and shall additionally set forth the facts supporting such party's position.

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

**16.8 Written Appraisal Evidence.** Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding Fair Market Rental Value or the fair market value of the Premises, or any portion thereof ("**Written Appraisal Evidence**"), unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in Marina del Rey and other marina locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the fair market rental value of the Premises as prescribed by Section 4.4.1. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the

requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

16.9 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

16.10 Discovery. The provisions of Code of Civil Procedure § 1283.05 shall not apply to the arbitration proceedings except to the extent incorporated by other sections of the California Arbitration Act which apply to the arbitration proceedings. There shall be no pre-arbitration discovery except as provided in Section 16.5; provided, however, each party shall have the right, no later than seven (7) days prior to the date first set for the hearing, to conduct a deposition, not to exceed three (3) hours in duration unless the arbitrator otherwise determines that good cause exists to justify a longer period, of any person identified by the other party as an expert witness pursuant to Sections 16.5 (2)(b) or 16.5 (3)(b).

16.11 Awards of Arbitrators.

16.11.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a “**Separate Dispute**”). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party’s Statement of Position on one or more of the Separate Disputes, while selecting the other party’s Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.4 and the amount of liability insurance coverage to be renegotiated pursuant to Section 9.6, then there shall be five Separate Disputes and the arbitrator shall be permitted to select the County’s Statement of Position with respect to none, some or all of such five Separate Disputes and select the Lessee’s Statement of Position, on the balance, if any, of such five Separate Disputes. Upon the arbitrator’s selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the



award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.12 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.13 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.14 Amendment to Implement Judgment. Within ten (10) days after the issuance of any award by the arbitrator becomes final, if the award involves the adjustment of the rent, insurance levels or other matters under the Lease, then County will draft a proposed amendment to the Lease setting forth the relevant terms of such award and transmit such proposed amendment to Lessee and any Encumbrance Holder(s) as to which County has been provided written notice, for their review. Within ten (10) days after delivery of the proposed amendment to Lessee and such Encumbrance Holder(s) for their review, Lessee or any such Encumbrance Holder(s) shall have the right to notify County in writing of any deficiencies or errors in the proposed amendment. If County does not receive notice of a deficiency or error within such ten (10) day period, then Lessee shall execute the amendment within seven (7) days after the end of such ten (10) day period and such amendment shall be binding on Lessee and all Encumbrance Holders. If the parties (including an Encumbrance Holder) shall, in good faith, disagree upon the form of any such amendment, such disagreement shall be submitted to the arbitrator for resolution. Upon execution by Lessee, any amendment described in this Section 16.13 shall thereafter be executed by County as soon as reasonably practicable.

16.15 Impact of Gross Error Allegations. Where either party has charged the arbitrator with Gross Error:

16.15.1 The award shall not be implemented if the party alleging Gross Error obtains a judgment of a court of competent jurisdiction stating that the arbitrator was guilty of Gross Error and vacating the arbitration award ("**Disqualification Judgment**"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.14, which arbitration shall be conducted (with a different arbitrator) as expeditiously as reasonably possible.

16.15.2 The party alleging Gross Error shall have the burden of proof.

16.15.3 For the purposes of this Section 16.14, the term “**Gross Error**” shall mean that the arbitration award is subject to vacation pursuant to California Code of Civil Procedure § 1286.2 or any successor provision.

16.16 Notice.

NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED BY CALIFORNIA LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

WE HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THE ARBITRATION OF DISPUTES PROVISION TO NEUTRAL ARBITRATION.

\_\_\_\_\_  
Initials of Lessee

\_\_\_\_\_  
Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

17.1 Meanings of Words Not Specifically Defined. Words and phrases contained herein shall be construed according to the context and the approved usage of the English language, but technical words and phrases, and such others as have acquired a peculiar and appropriate meaning by law, or are defined in Section 1.1, are to be construed according to such technical, peculiar, and appropriate meaning or definition.

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neuter and the neuter includes the masculine and feminine; the singular number includes the plural and the plural the singular; the word “person” includes a corporation, partnership, limited liability company or similar entity, as well as a natural person.

17.3 Business Days. For the purposes of this Lease, “**business day**” shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include “Optional Bank Holidays” as defined in Section 7.1 of the California Civil Code.

17.4 Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of their own choosing. This document is the result of combined efforts of both parties and their consultants and

attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Lease.

17.5 Governing Law. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

17.6 Reasonableness Standard. Except where a different standard or an express response period is specifically provided herein, whenever the consent of County or Lessee is required under this Lease, such consent shall not be unreasonably withheld, conditioned or delayed, and whenever this Lease grants County or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County and Lessee shall act reasonably and in good faith. These provisions shall only apply to County acting in its proprietary capacity.

17.7 Compliance with Code. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Sections 25536 and 25907 of the California Government Code as a result of various provisions contained herein.

17.8 Memorandum of Lease. The parties hereto shall execute and acknowledge a memorandum of lease extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

17.9 Counterparts. This Lease may be executed in counterparts, each of which shall constitute an original and all of which shall collectively constitute one fully-executed document.

17.10 County Sublease. Concurrent with the execution of this Lease, Lessee and County are entering into a Sublease Agreement in which Lessee, as sublessor, leases to County, as sublessee, the portions of the Premises and Improvements specifically set forth therein (the “**County Sublease**”).

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, County and Lessee have entered into this Lease as of the Effective Date.

THE COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mayor, Board of Supervisors

MDR BOAT CENTRAL, L.P., a California limited partnership

By: MDR Boat Central, LLC, a California limited liability company, General Partner

By: Pacific Marina Development, Inc., a California corporation, Manager

By: \_\_\_\_\_  
Thomas J. Hogan, President

ATTEST:

PATRICK OGAWA,  
Acting Executive Officer – Clerk of the  
Board of Supervisors

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM,  
County Counsel

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

GLASER WEIL FINK HOWARD AVCHEN & SHAPIRO LLP

By: \_\_\_\_\_

**EXHIBIT A**  
**LEGAL DESCRIPTION OF PREMISES**

**EXHIBIT B**  
**DEVELOPMENT PLAN**

[See attached]

## **EXHIBIT C**

### **ASSIGNMENT STANDARDS**

These standards are to apply to proposed transactions requiring County's consent pursuant to Section 11.2 of the Lease. These standards and conditions are not to apply to (a) an assignment for the purpose of securing leasehold financing from an Encumbrance Holder approved by County, (b) the transfer of the leasehold in connection with a foreclosure or transfer in lieu of foreclosure by an approved Encumbrance Holder, or (c) the first transfer by that Encumbrance Holder if it has acquired the leasehold through a foreclosure or a transfer in lieu of foreclosure.

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least six (6) times the total Annual Minimum Rent and Percentage Rent due to County for the most recent fiscal year). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth (as set forth in the preceding sentence) or similar security satisfactory to County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.
2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All such approvals of County will not be unreasonably withheld, conditioned or delayed.
3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or who own the entity which will so acquire Lessee's interest, irrespective of the tier at which such individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of County.
4. The price to be paid for the acquired interest shall not result in a financing obligation of the proposed transferee which jeopardizes the Lessee's ability to meet its rental obligations to County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.
5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the transferee must agree that) County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the Lease as required under the Lease; provided however,

that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.
7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.
8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.



## **EXHIBIT D**

### **EXAMPLES OF PERMITTED CAPITAL EXPENDITURES**

Subject to the terms and provisions of Section 5.12 of the Lease, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Improvement Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

Painting of the building exterior\*

Walkways and driveway replacement\* (if asphalt, a minimum of resurfacing, not slurry seal)

Windows replacement\*

Roof replacement\* (may be on a building by building basis)

Elevators (replacement or addition)

HVAC replacement

Light fixtures replacement\* (interior and exterior)

Irrigation system\* (replacement or major addition)

\* To qualify, these expenditures need to incorporate replacement or renovating of at least seventy percent (70%) of the items or facilities in question.

**EXHIBIT E**

**TREE TRIMMING POLICY**

Policy No. 23 and Policy No. 34 of the Marina del Rey Land Use Plan dated February 8, 2012, as such policies are updated, modified or replaced from time to time by County.

**EXHIBIT B**  
**PARCEL 52**  
**DEVELOPMENT PLAN**

**Term Sheet  
Template Item**

*Lessee Proposal  
Boat Central Dry-Stack Storage Facility — Parcel 52*

**A reasonably detailed, written narrative description of the work to be done, including each of the following:**

- ☐ **All new construction and renovation**
- ☐ **Timing for the start of the work**
- ☐ **Timing for the completion of the work**

**The narrative shall include all applicable components of the project, grouped as set forth below.**

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**Existing Site and Improvements:**

Parcel 52<sup>1</sup> (the "Parcel") is a 4.46-acre site with 1.37 acres of submerged land and 3.09 acres of dry land. The lot has approximately 452 feet of street frontage along Fiji Way and 452 feet along the Basin H side with 400 feet of water frontage. The landside portion of the Parcel is primarily used as a customer parking lot with 237 spaces for charter boat operations and parking for on-site County facilities. The County's landside facilities include four office trailers; two maintenance buildings for the Sheriff's Boatwright and Life Guard operations along with several storage units and appurtenant parking areas. The waterside improvements include an approximately 90 foot transient long dock for the embarkation of charter boat customers and a three slip, plus side ties, floating dock for County vessels and a waterside jib-crane for the retrieval of County vessels.

Under the certified Marina del Rey Local Coastal Program (the "LCP"), the Parcel is currently part of Development Zone Three and is zoned "Boat Storage and Water" with a Waterfront Overlay Zone designation ("WOZ"). The Parcel is restricted under the LCP to be utilized as a boat storage and launching facility along with certain ancillary uses.<sup>2</sup>

**New Improvements:**

The following is the proposed "Scope of Work" for Improvements to encompass the "Boat Central" facility (Please refer to the submitted plans for detailed Site Plan and Exterior Elevations).

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<sup>1</sup> Previously known as Parcels 52R, the parking lot, and Parcel GG, the County facilities parcel. These parcels were merged and designated as Parcel 52 by the 2012 Map & Text Amendments to the Marina del Rey Local Coastal Program.

<sup>2</sup> Refer to LACC 22.46.1180.

<b>Term Sheet Template Item</b>	<i>Lessee Proposal Boat Central Dry-Stack Storage Facility — Parcel 52</i>
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- 1) Construct a new six level, 70 foot tall (height at building perimeter rising to an 82 foot canopy over the central gantry crane portion) dry-stack boat storage structure capable of accommodating 345 berths. The structure encompasses a footprint of 47,100 square feet (35,500 sq. ft. landside; 11,600 sq. ft. waterside) as reflected in County approved Exhibit A, stamped on 5/1/2014 attached. Two to four launch/retrieval elevator lifts will interface with the gantry crane at the seawall to access the water surface.
- 2) Configure on-site parking for 134 vehicles and 30 mast-up boat storage spaces with a 5-ton Jib-crane to service launch/retrieval for the mast-up storage area as well as the County docks as reflected in County approved Exhibit A, stamped on 5/1/2014 attached.
- 3) Construct a mixed-use building to accommodate a 3,070 square foot two story, 24 foot in height, customer lounge and Boat Central office facility as well as a 3,265 square foot County Facility including a fenced yard as referenced in the Floor Plan Exhibit by JBM Architects dated 10/28/2009, attached as Exhibit B .
- 4) Construct waterside queuing docks for the embarkation of dry-stack vessels, not to exceed 6,000 square feet. Retain and maintain a maximum of 2,100 square feet of the existing docks for County vessels as described in Coastal CDP 5-14-0770 BWDG Plan Set, attached as Exhibit C, dated 09/08/2014; Sheet C-2, 6 of 7 "Waterside Dock Plan.
- 5) Create a public waterfront view park with amenities covering 1,560 square feet and include an additional minimum landscape feature consisting of 10% of the net lot area as referenced in County approved Exhibit A, stamped on 5/1/2014, attached.<sup>3</sup>
- 6) All existing improvements, other than for the sea wall and County dock facility, will be relocated by the County or demolished by Lessee prior to the start of construction, and County's only obligation is to remove the trailers and containers.

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<sup>3</sup> Refer to County approved Exhibit A, stamped on 5/1/2014, attached.

<b>Term Sheet Template Item</b>	<i>Lessee Proposal</i> <i>Boat Central Dry-Stack Storage Facility — Parcel 52</i>
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### **Parking:**

Refer to Parking Permit No. 200800010 for Required Parking

Dry-storage (1 space/3 berths X 375):	125 spaces
Business Office/Lounge (1/400 x 3,070 sf):	<u>8 spaces</u>
[Up to 12 spaces may be compact spaces]	
<b>Total Parking Spaces Required by Permit:</b>	<b>134 spaces</b>

### **Timing and Commencement:**

Site demolition and site preparation shall commence upon obtaining necessary building permits and the County completing the relocation of the charter boat transient dock, anticipated no earlier than the fourth quarter of 2017. County landside facilities and operations on a portion of the site may remain after the commencement of construction but would be relocated from the site during 2018. Access to the County's dock facilities will be maintained during construction. It is expected that the landside improvements will commence in the spring of 2018. The dry-stack structure will be the first phase along with parking lot, queuing docks and a water-front park. The second phase will be the building encompassing the office/customer lounge and County maintenance/storage facility. The final phase will be mast up storage area, unless earlier vacated by the County. The construction is expected to encompass a twelve month period.

### **1) Scope of Work**

**a) Apartments, Office and Commercial (Note: for renovation-only apartment projects, use "Renovation Comparison Worksheet" instead of this section)**

<ul style="list-style-type: none"> <li><b>Demolition (of existing improvements prior to commencing work)</b></li> </ul>	Demolition of the parking lot, two County maintenance buildings and the transient charter boat dock. Demolition of the charter boat long-dock and parking lot shall not commence until the charter boat transient dock has been relocated by the County. Additional demolition of surface areas and utility lines will take place upon the County's removal of the landside office trailer facilities.
<ul style="list-style-type: none"> <li><b>New building construction</b></li> </ul>	Construct a six-level dry-stack boat storage structure having a footprint of 47,100 square feet

<b>Term Sheet Template Item</b>	<i>Lessee Proposal Boat Central Dry-Stack Storage Facility — Parcel 52</i>
	<p>(partially over-the-water) to accommodate up to 345 vessels. The vessels will be transferred to and from the water via an 18,000 lbs. capable gantry crane system. The structure, a steel I-beam and column skeleton structure will be supported on concrete piles, poured into holes drilled down through competent material. The external façade will have multiple finishes with the landside lower third (12 feet +/-) skinned with CMU block; the middle third will have a decorative metal panels, in light grey transitioning to bird-safe non-reflective translucent panels tinted blue (Plexiglas or similar translucent material); the upper third sculptured metal panel, colored natural silver. The roofing material will be standing seam metal in light grey or silver. Specific façade colors will be approved by Design Control Board (DCB) in the confirmation of exterior design elements.</p> <p>Construct a multi-purpose support building to include on-site administrative office space plus customer lounge encompassing 3,070 square feet and a County facility encompassing 3,265 square feet. The County portion of the building will have a fenced "paved yard" of approximately 2,000 square feet (collectively, the "County Facility"). The wood framed building will have a painted stucco exterior with aluminum framed windows. Exterior colors will be marine compatible blues/greys with white trim/accent color. The specific color palette will be subject to DCB review. The roof will be parapet style with built-up roofing.</p>
• <b>Remodeled building exteriors</b>	Not applicable.
• <b>Remodeled building interiors</b>	Not applicable.
• <b>Remodeled interior building common areas</b>	Not applicable.
• <b>Remodeled exterior building common areas</b>	Not applicable.

<b>Term Sheet Template Item</b>	<i>Lessee Proposal</i> <i>Boat Central Dry-Stack Storage Facility — Parcel 52</i>
<ul style="list-style-type: none"> <li><b>Landscaping</b></li> </ul>	The Fiji Way frontage; parking lot and easterly perimeter of the property shall be landscaped as approved by the Design Control Board with drought resistant plantings and a selection of trees consistent with LID design requirements. Refer to County approved Exhibit A wet stamped on 5/1/2014.
<b>b) Waterside</b>	
<ul style="list-style-type: none"> <li><b>Dry-Stack Over-the-Water</b></li> </ul>	Construct a portion of the new dry-stack storage structure over the water, having a footprint of 11,600 square feet and extending 97 feet into Basin-H on the westerly side and 45 feet on the easterly side. The waterside portion will be supported by 22, 48-inch concrete piles. Two (2) launch/retrieval elevators, with provisions for an additional 1 or 2 elevators. Refer to "a)" above for details on the elements of the dry-stack structure. (See Exhibit D)
<ul style="list-style-type: none"> <li><b>Queuing Docks</b></li> </ul>	Construct a new 5,611 square foot modular concrete queuing-dock system. The docks and pedestrian access ramps will be anchored by up to thirty-two (32) 16-inch piles. The existing County Sheriff's dock will remain. (See Coastal CDP 5-14-0770; BWDG Plan Set dated 09/08/2014 attached as Exhibit C; Sheet C-2, 6 of 7 "Waterside Dock Plan").
<ul style="list-style-type: none"> <li><b>Jib crane-hoist</b></li> <li><b>5-ton</b></li> </ul>	The "mast-up" surface storage area (30 berths) and the County docks will be serviced with a waterside 5-ton jib-hoist to launch and retrieve those vessels.
<ul style="list-style-type: none"> <li></li> </ul>	
<b>c) Promenade &amp; Waterfront Park</b>	
<ul style="list-style-type: none"> <li><b>Waterfront Park design and materials</b></li> </ul>	Construct a 1,560 square foot view-park at the waterfront adjacent to Parcel 53 with enhanced paving seating/shade and water fountain elements. The final design and layout of park elements, materials and color shall be approved by the DCB. (See County approved Exhibit A, wet-stamped on 5/1/2014.)



<b>Term Sheet Template Item</b>	<i>Lessee Proposal Boat Central Dry-Stack Storage Facility — Parcel 52</i>
<ul style="list-style-type: none"> <li><b>Fencing design and materials</b></li> </ul>	Perimeter fencing and gate shall be provided to secure the mast-up storage and County yard areas. The design and materials shall be approved by the DCB. (See County approved Exhibit A, wet-stamped on 5/1/2014, attached.)
<ul style="list-style-type: none"> <li><b>Lighting design and materials</b></li> </ul>	Lighting design and materials shall be in compliance with the design, intensity, and color approved by the DCB.
<b>d) Signage</b>	
<ul style="list-style-type: none"> <li><b>New signage program</b></li> </ul>	New signage along the westerly face of the Dry-Stack structure shall be added as approved by the DCB. New wayfinding and identification signage shall be added and renovated as approved.
<b>2) PLANS &amp; DRAWINGS</b>	
<b>Preliminary plans for all work to be done</b>	
<b>a) Site Plan</b>	
<ul style="list-style-type: none"> <li><b>Reduced color site plans (8.5x11 or 11x17), showing work described above, including all structures, hardscape, promenade, landscaping and slips</b></li> </ul>	Existing Site: Refer to ALTA Survey prepared by B&E Engineers attached [Reflects Parcels 52R & GG at the time of the survey]. Site Plan: depicting structures, the promenade & water-front park, parking, hardscape, landscape & fencing; refer to Exhibit A; County approved site plan wet-stamped 5/1/2014. Dry-Stack Foundation Plan: BWDG CDP 5-14-0770 Plan Set attached as Exhibit C; Sheet C-3, 7 of 7 dated 09/08/2014.
<b>b) Building Elevation</b>	
<ul style="list-style-type: none"> <li><b>A reduced color elevation (8.5x11 or 11x17) drawing that shows all new and/or renovated building elevations</b></li> </ul>	See Exhibit D and Exhibit E.
<b>c) Landscape Plan</b>	
<ul style="list-style-type: none"> <li><b>If not already included in the above materials</b></li> </ul>	Refer to a) above.
<b>d) Dock Plan</b>	

<b>Term Sheet Template Item</b>	<i>Lessee Proposal</i> <i>Boat Central Dry-Stack Storage Facility — Parcel 52</i>
<ul style="list-style-type: none"> <li><b>Dock construction plan, including physical layout of docks and slips</b></li> </ul>	Dock Plan: BWDG CDP 5-14-0770 Plan Set attached as Exhibit C, Sheet C-2, 6 of 7.
<b>3) CONSTRUCTION PHASING</b>	
<b>a) Initial Construction Phase</b>	County shall have a continued interim right of access to and use of the temporary trailers existing on the Premises in the area marked in orange on the interim site plan attached Exhibit F-1 until the later of (i) one (1) year following the Effective Date of the Lease, or (ii) two (2) years after the date of Option Agreement (the "Trailer Use Termination Date"). Access and use rights during the period in which County is entitled to retain the temporary trailers on the Premises shall be in accordance with Exhibit F-1 (the "Initial Interim Site Plan") which will be subject to approval of County Sheriff Department as to site and dock access, and County Fire Department (local station and Fire Prevention Bureau) as to site and dock access for fire fighting/fire code compliance) and the interim site plan shall be modified if revisions are required
<b>b) Final Construction Phase</b>	Following the Trailer Use Termination Date until completion of the project, County access and use rights shall be in accordance with the interim site plan attached as Exhibit F-2 (the "Post Trailer Use Termination Site Plan"), again subject to approval of County Sheriff Department as to site and dock access, and County Fire Department (local station and Fire Prevention Bureau) as to site and dock access for fire fighting/fire code compliance) and the site plan shall be modified if revisions are required. Vehicular and pedestrian access to and from the Sheriff/Maintenance Docks and the existing hoist shall be maintained during the construction of the Development Work.
<b>c) Completion</b>	Following completion of construction of the development, access and use rights shall be as set forth in the final site plan attached as Exhibit F-3 (the "Final Site Plan"). The County shall have the

<b>Term Sheet Template Item</b>	<i>Lessee Proposal</i> <i>Boat Central Dry-Stack Storage Facility — Parcel 52</i>
	right to the exclusive use of four (4) designated reserved parking spaces in the location shown on Exhibit F-3, and the non-exclusive use in common with Lessee and the other subtenants, occupants or customers of the Premises of the remaining exterior parking facilities. County shall also have the non-exclusive use in common with Lessee of the new Hoist to be installed by Lessee approximately as depicted on Exhibit C; Sheet C-2, 6 of 7 "Waterside Dock Plan") and as such location is more specifically shown on the Final Plans and Specifications.
<b>4) BUDGET</b>	
<b>a) Budget worksheet</b>	
<ul style="list-style-type: none"> <li><b>Estimated cost for all of the work agreed upon</b></li> </ul>	
	(See Attached Schedule)
	TOTAL DEVELOPMENT COSTS \$19,110,415

## **BUDGET SCHEDULE**

**Marina Del Rey Boat Central**  
**Summary of Costs**  
7/19/2013

Category	Amount	Total to Date	Total
A) RFP & Lease Documentation	\$ 347,950	\$ 347,950	
A) Entitlements	\$ 1,679,740	\$ 1,679,740	
B) Cranes	\$ 1,550,000	\$ 18,000	
C) Sub-Structure	\$ 3,076,200	\$ -	
D )Building Shell	\$ 5,192,500	\$ -	
E) Utilities & Services	\$ 1,088,425	\$ -	
F) Equipment & Furnishings	\$ 47,000	\$ -	
G) Docks	\$ 1,000,000	\$ -	
H) Sitework	\$ 1,470,600	\$ -	
I) Finance	\$ 2,083,000	\$ -	
J) Miscellaneuos	\$ 50,000	\$ 11,409	
K) Fees	\$ 1,525,000	\$ 425,972	
<b>Total Costs</b>	<b>\$ 19,110,415</b>	<b>\$ 2,483,071</b>	

**EXHIBIT A**

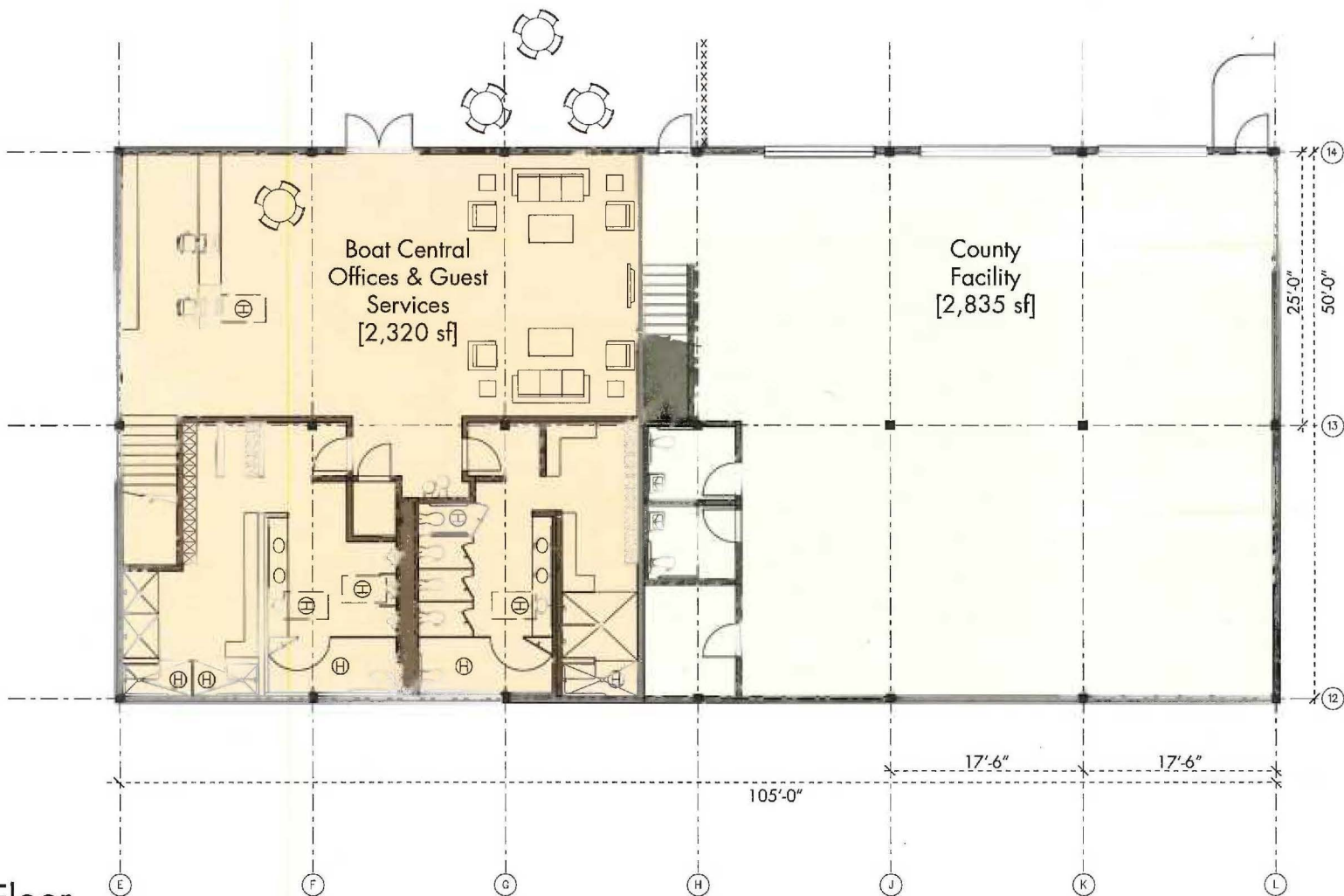
**COUNTY APPROVED PLAN WET STAMPED 5/1/2014**







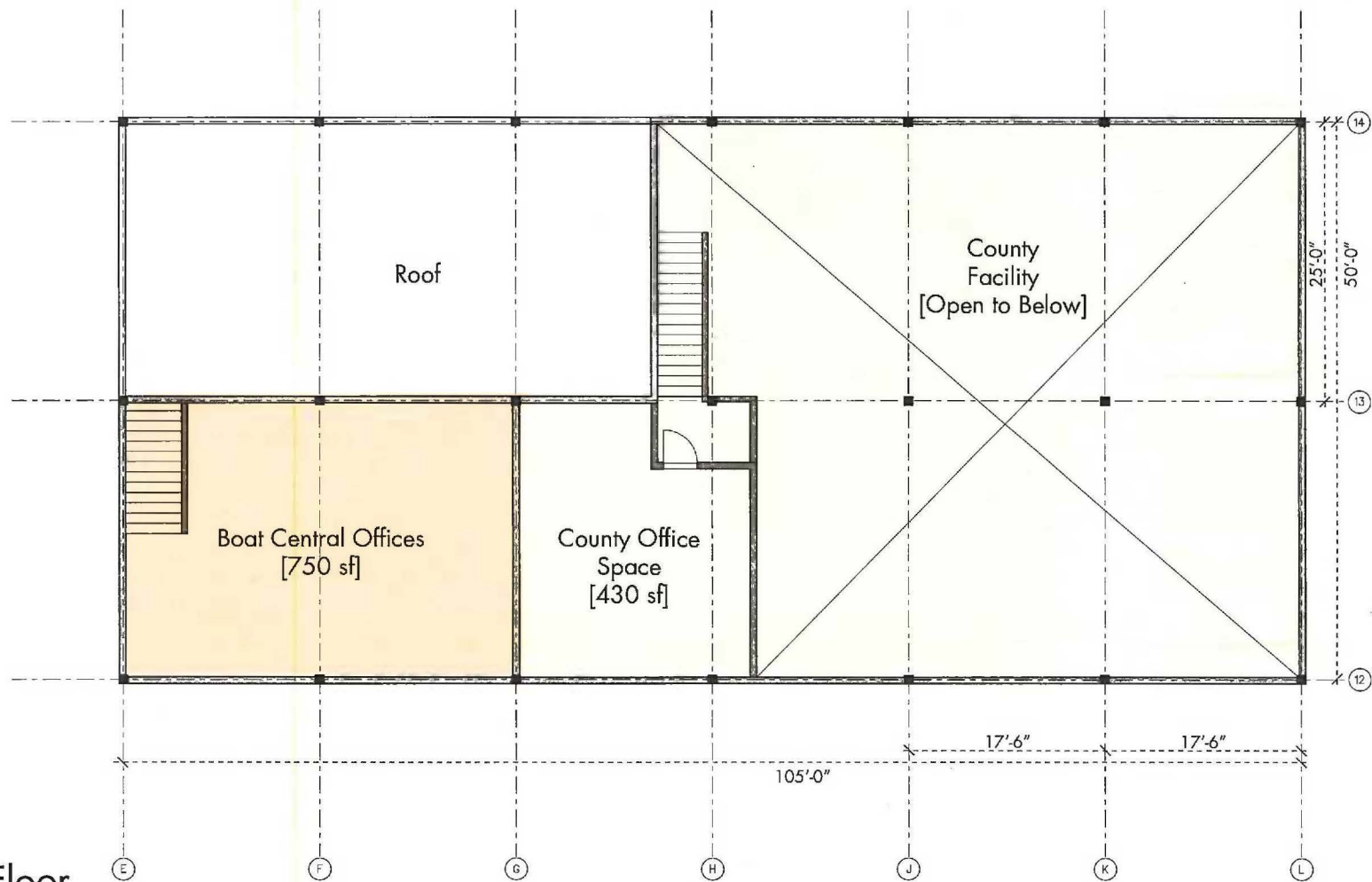
**EXHIBIT B**  
**FLOOR PLAN**



**Jamie B. Myer, AIA, LEED AP<sup>®</sup>**  
Architecture  
Landscape &  
Design

## Office/Lounge & County Facility Floor Plans

**Boat Central**  
Almar / PMD  
Marina del Rey, CA  
09.07.2016



Second Floor



**Jamie B. Myer**, AIA, LEED AP<sup>®</sup>  
 Architecture  
 Landscape &  
 Design

## Office/Lounge & County Facility Floor Plans

**Boat Central**  
 Almar / PMD  
 Marina del Rey, CA  
 09.07.2016

**EXHIBIT C**

**BWDG CDP 5-14-0770 Plan Set**

# MARINA DEL REY

## BOAT CENTRAL DRY STACK STORAGE

### MARINA DEL REY, CALIFORNIA

#### SHEET LIST

T-1	TITLE SHEET
C-0	EXISTING SITE PLAN
C-1	PROPOSED SITE PLAN
C-1.1	CONSTRUCTION STAGING AREA
C-1.2	LAUNCH RAMP NAVIGATION AREA MANEUVERABILITY STUDY
C-2	WATERSIDE DOCK PLAN
C-3	DRY STACK FOUNDATION PLAN
	ACE CRANE EXHIBIT

#### LESSEE:

PACIFIC MARINA DEVELOPMENT/ ALMAR  
3416 VIA LIDO, SUITE G  
NEWPORT BEACH, CA 92663

#### ENGINEER:

TM BAZLEY, P.E.  
BLUEWATER DESIGN GROUP  
2500 VIA CABRILLO MARINA, SUITE 200  
SAN PEDRO, CA 90731  
(310) 548-3132 - VOICE  
(310) 548-1924 - FAX

#### PROPERTY OWNER:

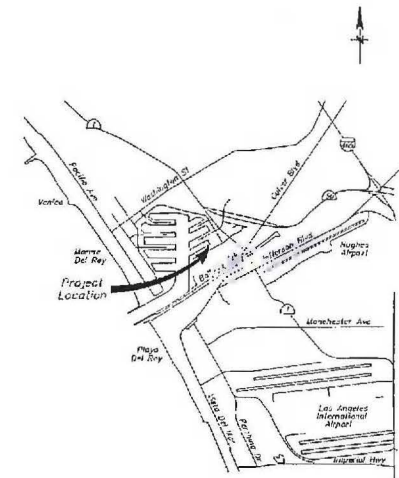
LA COUNTY  
DEPARTMENT OF BEACHES AND HARBORS  
13637 FLA WAY  
MARINA DEL REY, CA 90292  
(310) 305-9533 - MAIN  
(310) 821-6315 - FAX

#### SCOPE OF WORK:

CONSTRUCT DRY STACK BOAT STORAGE  
FACILITY WITH DOCKS AND LANDSIDE  
IMPROVEMENTS

#### PROJECT ADDRESS:

13485 FLA WAY, MARINA DEL REY  
L.A. COUNTY, CA 90292  
APN 4224-010-900



VICINITY MAP  
NTS

PERMITTED DRAWINGS  
NOT FOR CONSTRUCTIONS

STATUS	PROJECT	CDP			2500 Via Cabrillo Marina, Suite 200 San Pedro, CA 90731 Tel: 310 548 3132 Fax: 310 548 1924	<b>BOAT CENTRAL TITLE SHEET</b>	09-00-2014
	<b>BOAT CENTRAL PARCEL 52 MARINA DEL REY, CA</b>	<b>CDP 5-14-0770</b>					2118-8 T-1 1 of 7

PROJECT

**BOAT CENTRAL  
PARCEL 52  
MARINA DEL REY, CA**

CCC

**CDP 5-14-0770**

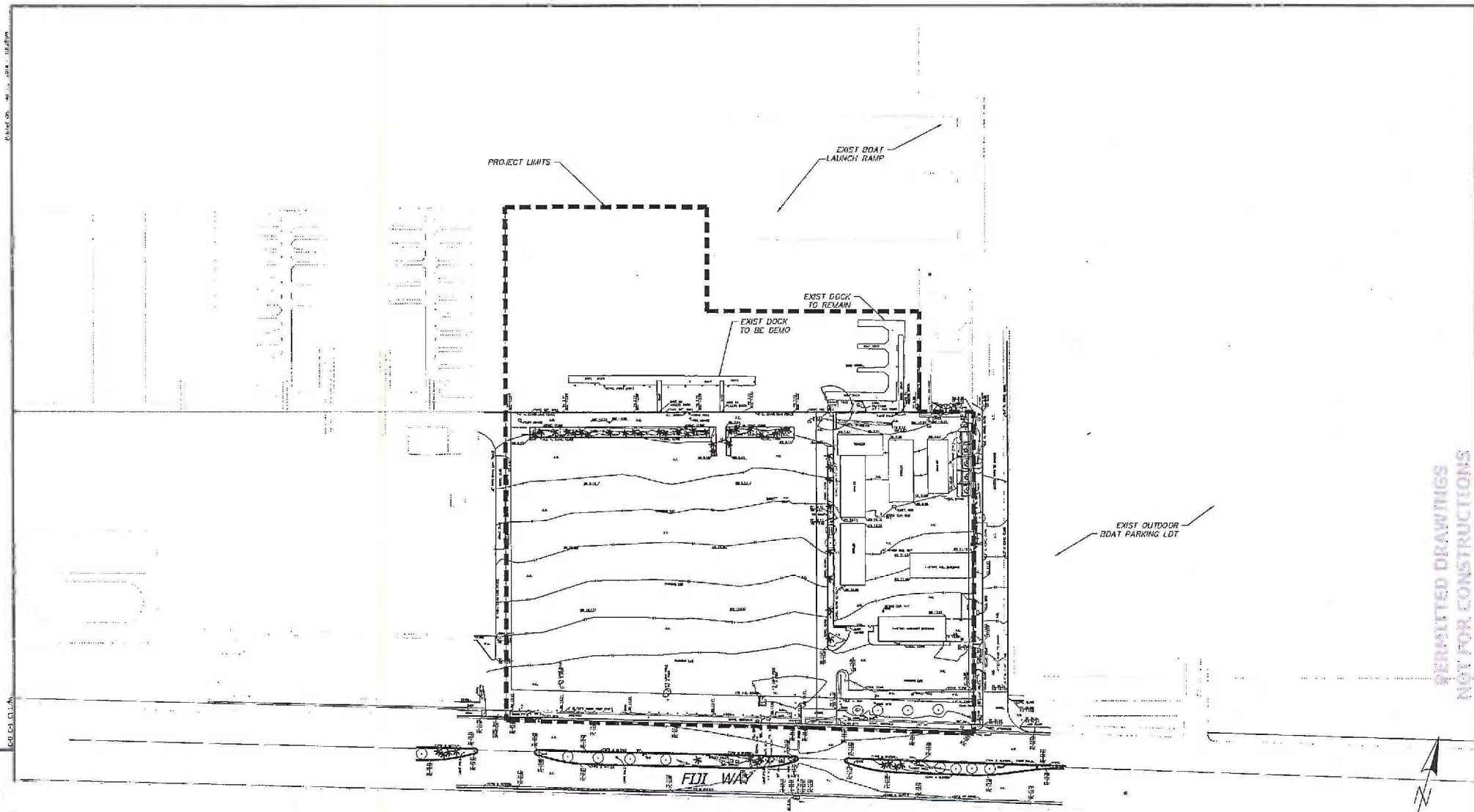
REVISION	BY	DATE



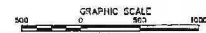
2500 Via Cabrillo Marina, Suite 208  
San Pedro, CA 90731  
Tel: 310 540 3132  
Fax: 310 548 1924  
DESIGNED BY: CASH  
CHECKED BY:

**EXISTING SITE PLAN**

SCALE  
1"=500'  
JOB NO. 2118-B  
SHEET C-0  
PAGE 2 of 7



PERMITTED DRAWINGS  
NOT FOR CONSTRUCTIONS







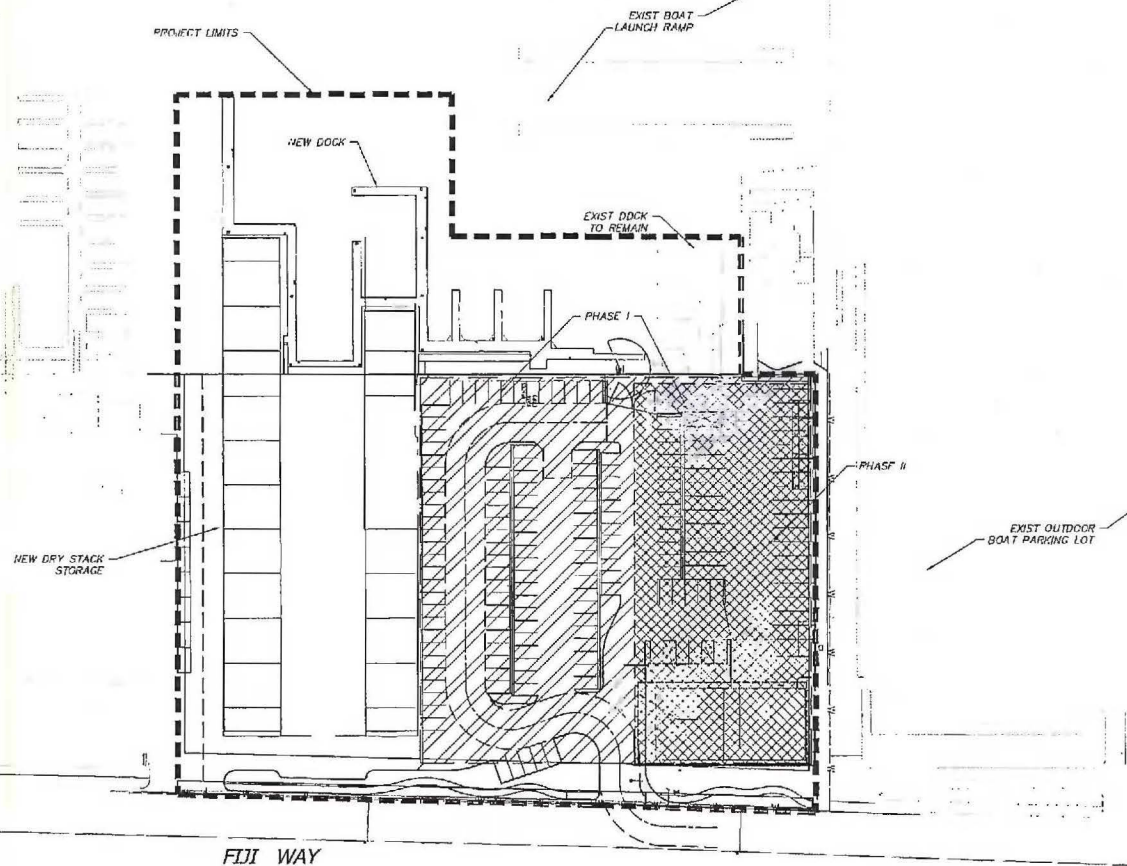


SCALE 1"=500'

SCALE 1"=500'	DATE 09-08-2014
JOB NO. 2118-B	
UNIT C-1	
SHEET # 3 of 7	

**AREA CALCS FOR STAGING AREAS**

-  PH I: 1.8 ACRES
-  PH II: 0.8 ACRES



PERMITTED DRAWINGS  
NOT FOR CONSTRUCTIONS

PROJECT  
**BOAT CENTRAL  
PARCEL 52  
MARINA DEL REY, CA**

CCC  
**CDP 5-14-0770**



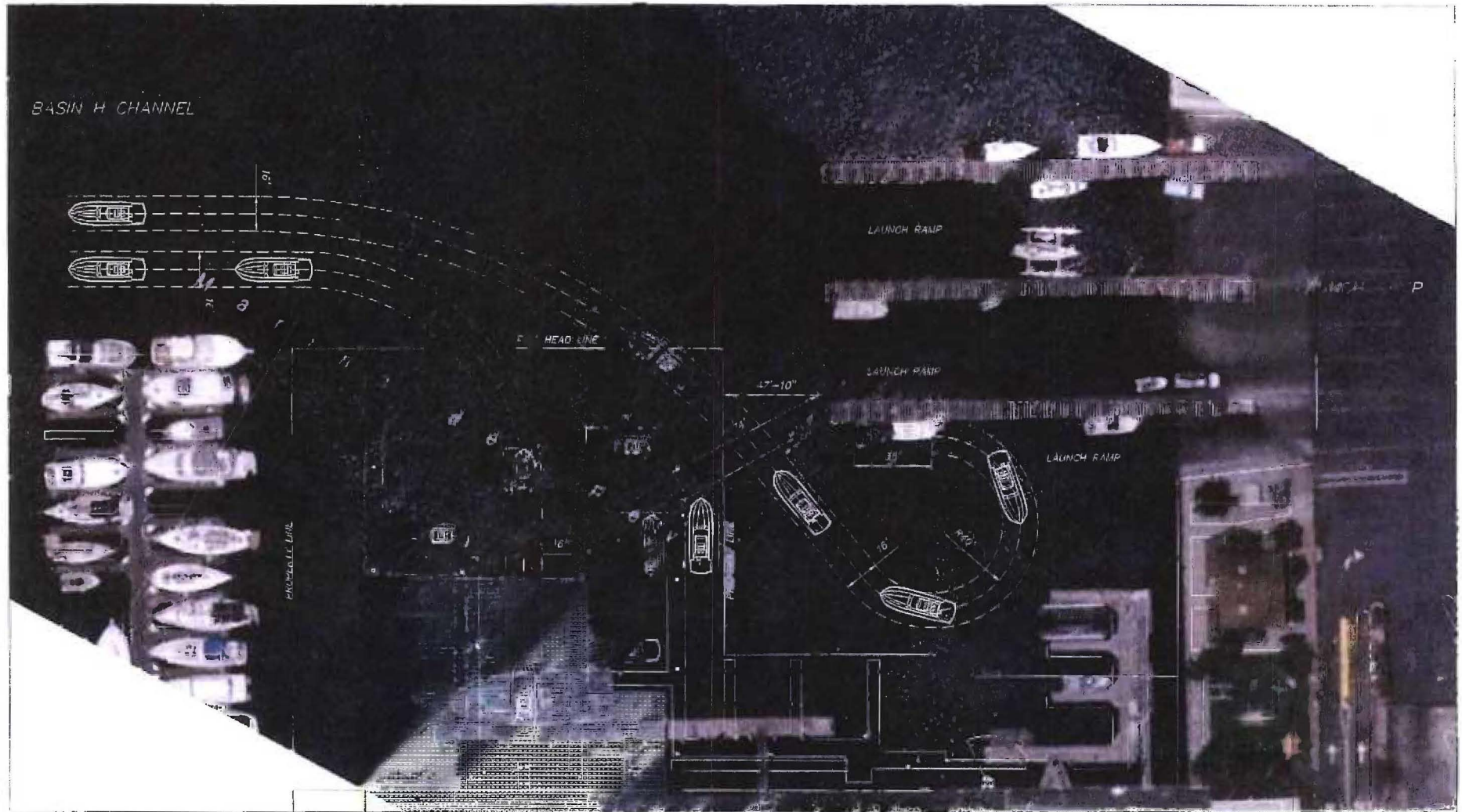
2500 Via Cabrillo Marina, Suite 200  
San Pedro, CA 90731  
Tel: 310 548 3132  
Fax: 310 548 1924  
ISSUED BY: B  
CHECKED BY: C.UGH

**CONSTRUCTION  
STAGING AREA**

GRAPHIC SCALE  
0 500 1000  
1"=500'

SCALE  
1"=500'  
JOB NO. 2118-B  
SHEET C-1.1  
PAGE 5 of 7





PERMITTED DRAWINGS  
NOT FOR CONSTRUCTION



PROJECT  
**BOAT CENTRAL  
PARCEL 52  
MARINA DEL REY, CA**

COC  
**CDP 5-14-0770**



**BLUE WATER**  
Design Group  
Planning and Engineering Services  
for Marine and Waterfront Projects

2500 Via Cabrillo Marina, Suite 200  
San Pedro, CA 90731  
Tel: 310 548 3432  
Fax: 310 548 1924

**LAUNCH RAMP  
NAVIGATIONAL AREA  
MANEUVERABILITY STUDY**

SCALE  
AS NOTED  
NO. 2118-B  
SHEET C-12  
5 of 7

PROJECT  
**BOAT CENTRAL  
PARCEL 52  
MARINA DEL REY, CA**

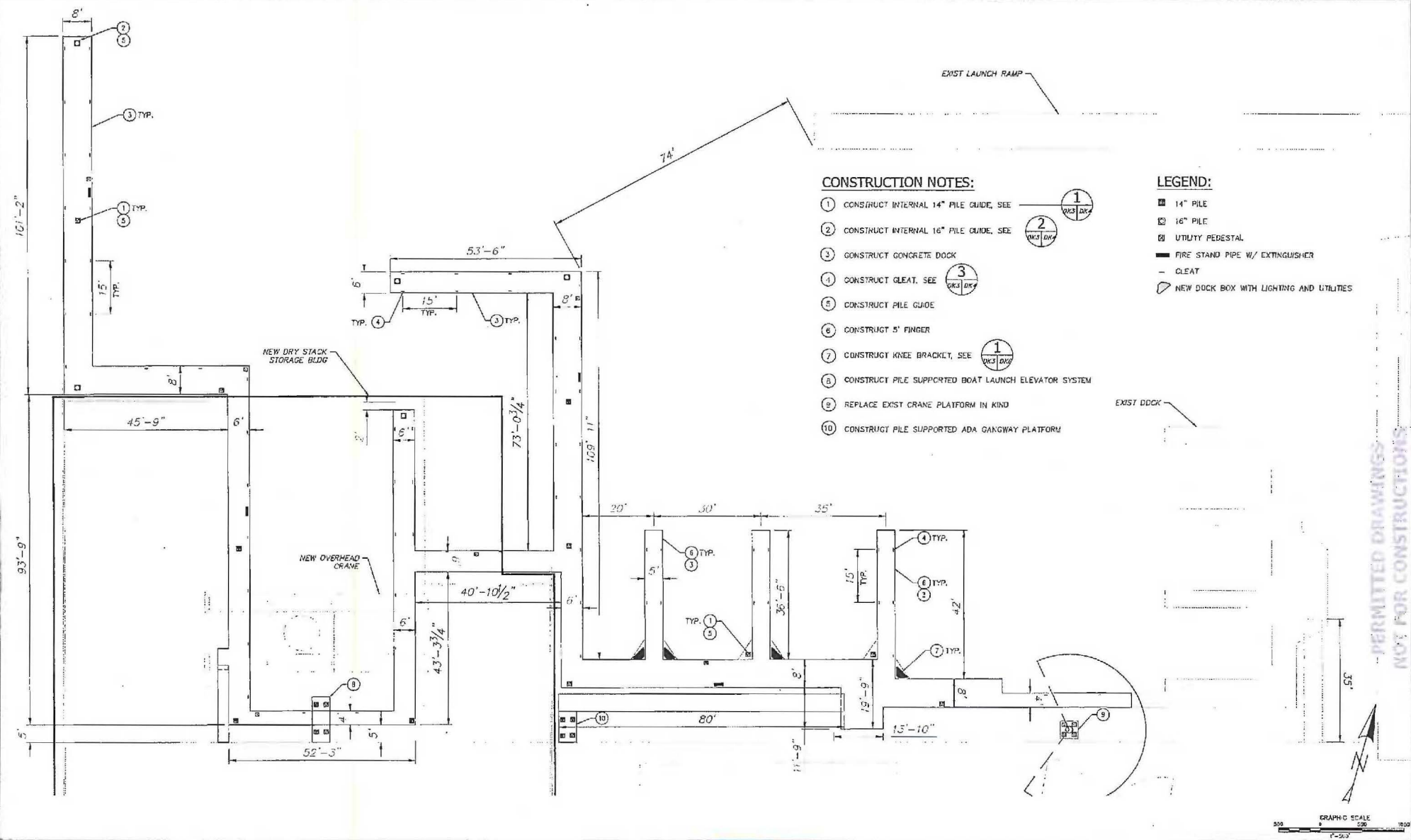
CCC  
**CDP 5-14-0770**



2500 Via Cabrillo Marina, Suite 200  
San Pedro, CA 90731  
Tel: 310 548 3132  
Fax: 310 548 1924  
DESIGNED BY: TB  
CHECKED BY: [Signature]

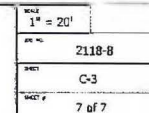
# WATERSIDE DOCK PLAN

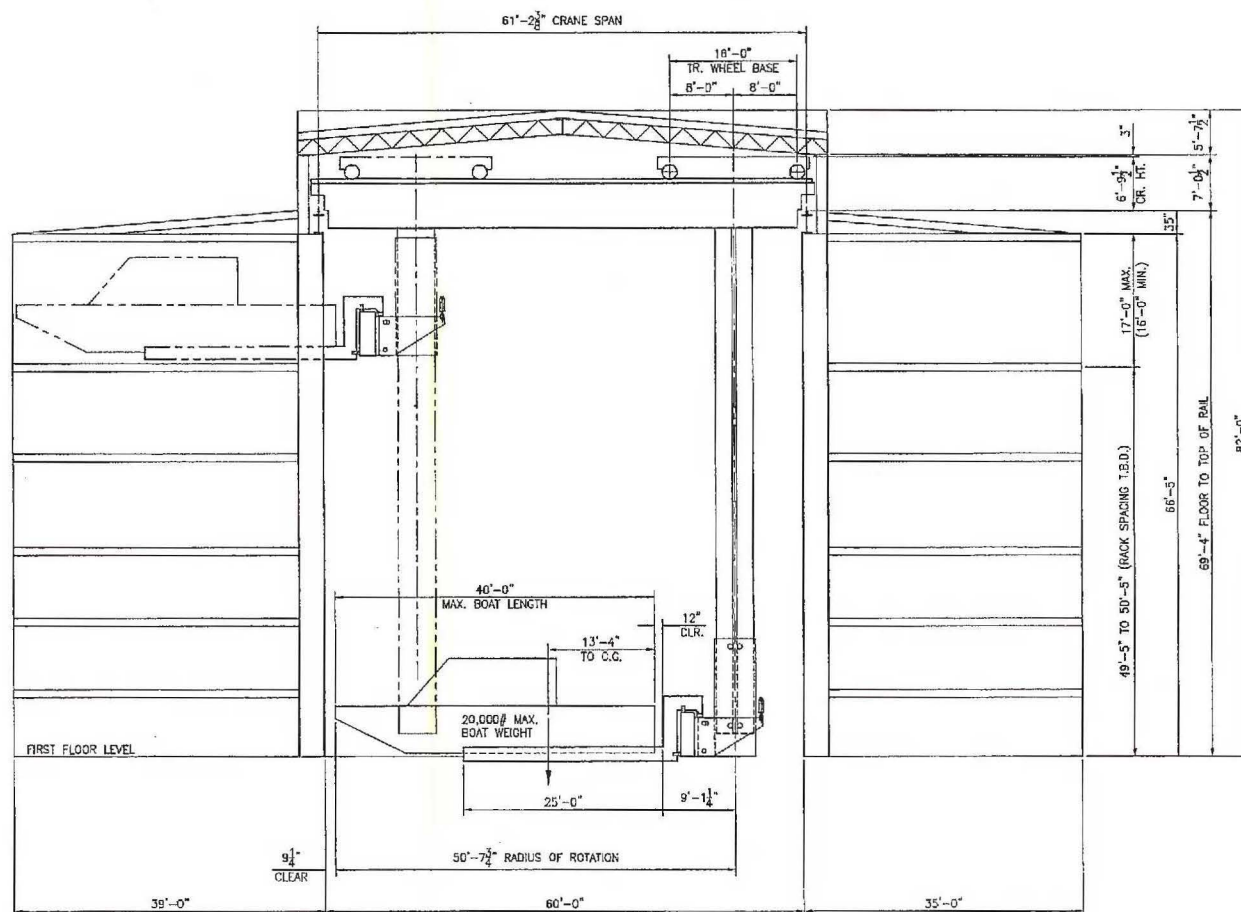
Scale  
1"=500'  
Job No. 2118-B  
Sheet C-2  
5 of 7



PERMITTED DRAWINGS  
NOT FOR CONSTRUCTIONS





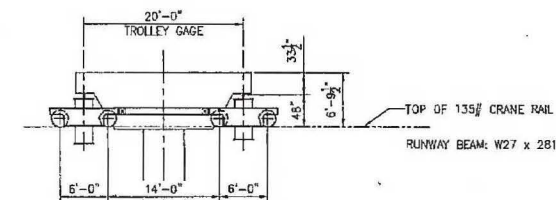


ESTIMATED WEIGHTS:  
 GIRDER SECTION: 34,000# EACH.  
 FOOTWALKS, CONTROL, MISC.: 7,000# (EA. GIRDER).  
 MAST SECTION: 96,500#.  
 LOWER CARRIAGE, FORKS, FORK BEAM: 55,200#  
 TROLLEY: 50,000#.  
 END TRUCKS: 5,000# EACH.

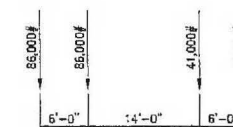
TOTAL CRANE WEIGHT: 303,700#

MAX. WHEEL LOAD = 86,000#

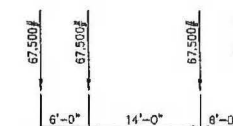
HOIST SPEED: 40 FPM  
 BRIDGE SPEED: 120 FPM @ 0.75 FPSFS ACCEL. RATE.  
 TROLLEY SPEED: 50 FPM @ 0.5 FPSFS ACCEL. RATE.



MAX. BRIDGE WHEEL LOADS WITH FORKS PERPENDICULAR TO CRANE BRIDGE GIRDERS (STATIC).



MAX. BRIDGE WHEEL LOADS WITH FORKS PARALLEL TO CRANE BRIDGE GIRDERS (STATIC).



PRELIMINARY  
 FOR CONCEPTUAL PURPOSES ONLY

TOLERANCES UNLESS OTHERWISE SPECIFIED		1 5/2008 REVISION DATE	DESCRIPTION
MFTING	FINISH		
X ±.005	X ±.01		
X ±.010	X ±.015		
X ±.015	X ±.020		
X ±.020	X ±.025		
ANGULAR ± 1° 30'	WELD BEAD		
LINEAR FRACTIONAL ± 1/16"	WELD BEAD		
HOLES FRACTIONAL ± 1/32"	WELD BEAD		

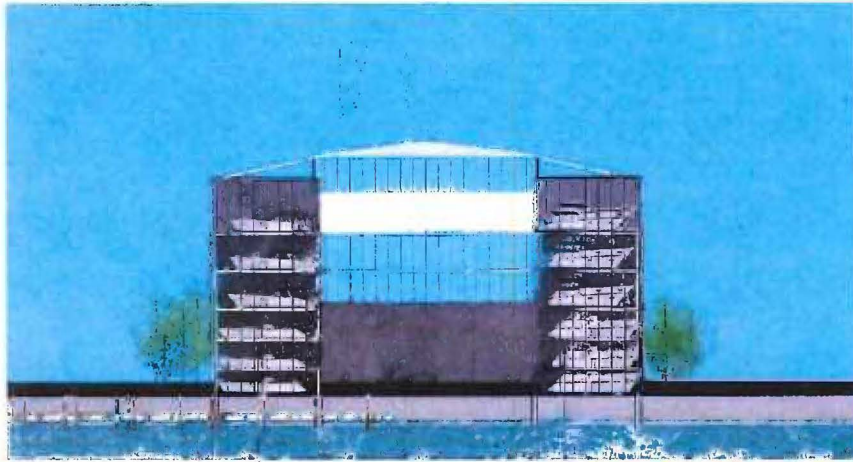


20200 JACKSBORO HWY.  
 FORT WORTH, TX 76135  
 PHONE 817.237.7700  
 FAX 817.237.7777  
 ACEWORLDCOMPANIES.COM

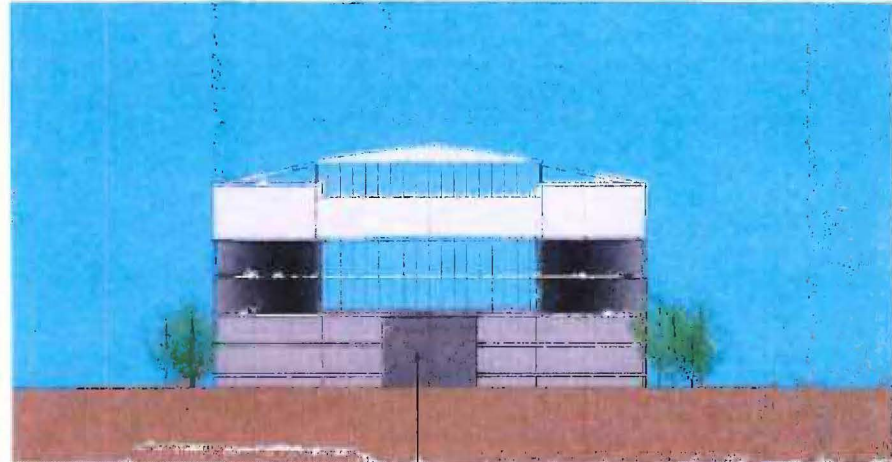
DRY STACK STORAGE PARCEL 52R MARINA DEL REY, CA	DRAWN BY: MWT	CHECKED BY: JPL	DATE: 3/2008	REV: 1
BRIDGE TITLE: 10 TON STACKER CRANE (BOAT LIFTER)	SCALE: 9/8"			
	PART NO. ES0808-1			SHEET 1

**EXHIBIT D**  
**DRY STACK STRUCTURE ELEVATIONS**





NORTH ELEVATION  
1/16" = 1'-0"



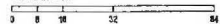
SOUTH ELEVATION  
1/16" = 1'-0"



WEST ELEVATION  
1/16" = 1'-0"

#### KEYNOTES

SCALE: 1/16" = 1'-0"



- 1 CONCRETE TILT-UP WALL
- 2 COMPOSITE METAL PANEL
- 3 EXPOSED STEEL, BEAM PAINTED
- 4 METAL GRAPHIC PANELS BY OTHERS
- 5 SIGNAGE - BY OTHERS 'BOAT CENTRAL'
- 6 HORIZONTAL METAL SIDING - PAINTED
- 7 TRANSLUCENT NON REFLECTIVE PANELS W/ PATINA FINISH
- 8 CORRUGATED METAL PANEL, ROOF
- 9 EXPANDED WIRE MESH

- 10 SLIDING METAL DOOR

#### PAINT LEGEND

PAINT COLORS TO BE SIMILAR REPRESENTATION ON COLOR ELEVATIONS. FOR EXACT PAINT COLORS, SEE EXTERIOR COLOR MATERIAL BOARD.

- FIELD PAINT - A
- ACCENT PAINT - B
- ACCENT PAINT - C

**DRA**  
ARCHITECTS

32 Executive Park, Suite 100  
Irvine, CA 92614  
TEL: 949.533.3000 • FAX: 949.533.3008

DRAs is a registered architectural firm in the State of California. DRAs is not responsible for the design or construction of any building or structure. DRAs is not responsible for the design or construction of any building or structure. DRAs is not responsible for the design or construction of any building or structure.

CONSULTANT:

PROFESSIONAL SEAL:

#### PROJECT TITLE

**Boat Central**  
Marina Development

#### DEVELOPER/CLIENT:

**Pacific Marina Development**  
3414 The Lakes Drive, Unit C,  
Hayward, CA 94541

#### DESIGN NAME

NO.	DATE	DESCRIPTION

JOB NO.	15003
DATE ISSUED:	07/26/16
DRAWN BY:	CM/H
CHECKED BY:	CM/H

SHEET NO.	A-1.0
-----------	-------

CONTRACT:

PROFESSIONAL SEAL:

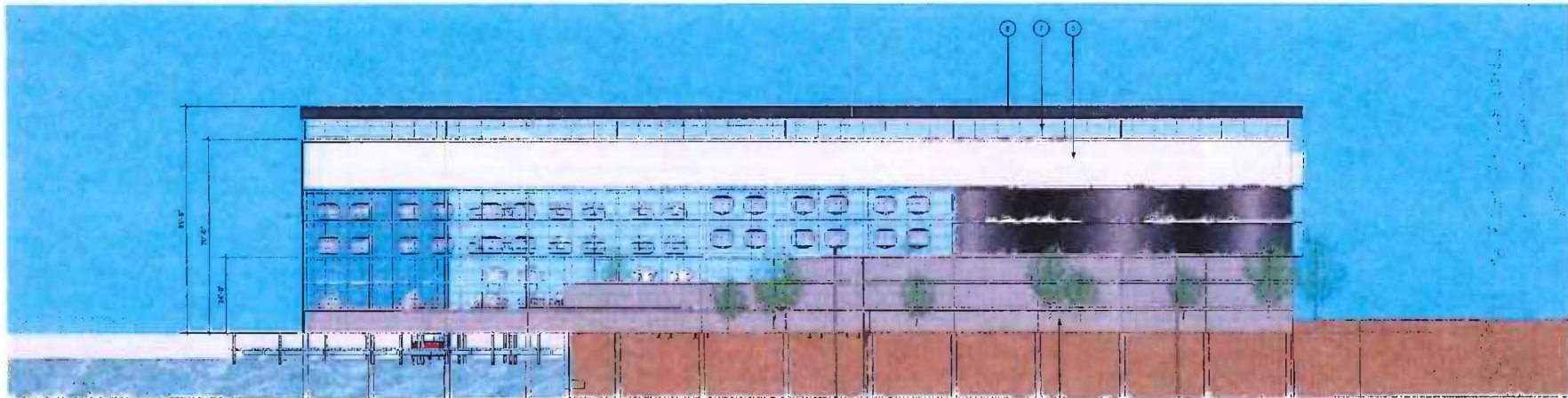
PROJECT TITLE

**Boat Central**  
Marina City Bay

DEVELOPER/APPLICANT

**Pacific Marina Development**  
3418 Via Lido Drive, Unit G,  
Newport Beach, California

SHEET NAME



WEST ELEVATION  
1/16" = 1'-0"

**KEYNOTES**

SCALE: 1/16" = 1'-0"



- 1 CONCRETE TILT-UP WALL
- 2 COMPOSITE METAL PANEL
- 3 EXPOSED STEEL BEAM PAINTED
- 4 METAL GRAPHIC PANELS BY OTHERS
- 5 SIGNAGE - BY OTHERS' BOAT CENTRAL
- 6 HORIZONTAL METAL SIDING - PAINTED
- 7 TRANSLUCENT NON REFLECTIVE PANELS W/ PATINA FINISH
- 8 CORRUGATED METAL PANEL ROOF
- 9 EXPANDED WIRE MESH

10 SLIDING METAL DOOR

**PAINT LEGEND**

PAINT COLORS TO BE SIMILAR REPRESENTATION ON COLOR ELEVATIONS. FOR EXACT PAINT COLORS, SEE MATERIALS SCHEDULE.

- FIELD PAINT - A
- ACCENT PAINT - B
- ACCENT PAINT - C

NO.	DATE	DESCRIPTION

DATE:	15009
DATE SUB:	07/26/16
DATE BY:	CMH
DATE BY:	CMH

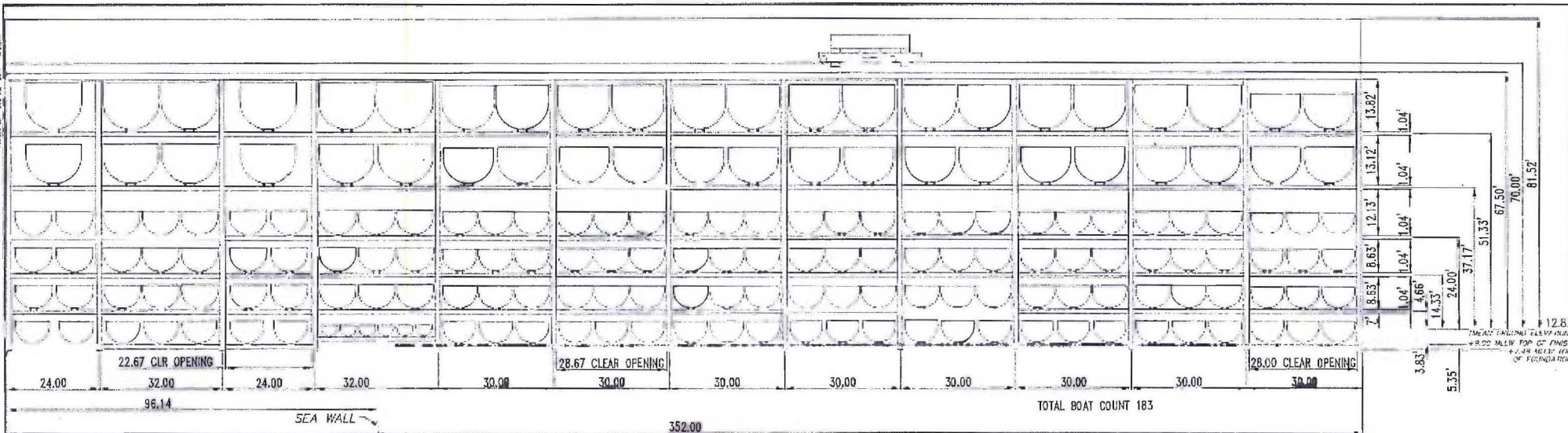
SHEET NO.  
**A-1.1**



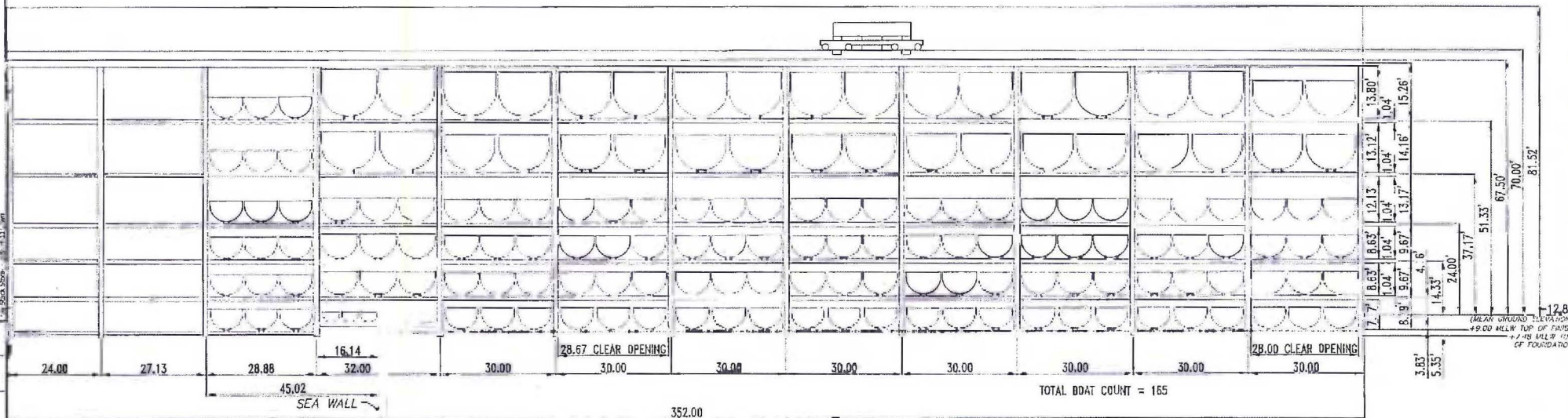
Printed On: 06/05/2011 11:07am

Stack Size: 4-11' min

STATUS



**SIDE ELEVATION VIEW WITH ROOF**  
SCALE 1"=12'



**SIDE ELEVATION VIEW WITH ROOF**  
SCALE 1"=12'



PROJECT  
**DRY STACK STORAGE  
PARCEL 52R  
MARINA DEL REY, CA**

CONTRACTOR



Planning and Engineering Services  
For Marine and Waterfront Projects

2500 Via Cabrillo Marina, Suite 200  
San Pedro, CA 90721  
Tel: 310 548 3131  
Fax: 310 548 1924

DESIGNED BY: TB  
DRAWN BY: PT  
CHECKED BY: BR

**BOAT DRY STACK  
SECTIONS A & B**

DATE: 2118-B  
SHEET: C-5  
PAGE: 6 of 9



**EXHIBIT E**  
**BUILDING ELEVATIONS**

Signage Opportunity

Public Promenade

East Elevation

Painted Plaster Wall

Overhead doors  
for boatwright shop

Pentaglas Quadwall  
(insulated version  
of translucent plastic)

North Elevation

## Lounge & Boatwright Building Elevations

### Sheet 1



**ac martin partners, inc**  
PLANNING  
ARCHITECTURE  
ENGINEERING

BOAT CENTRAL  
ALMAR / PMD  
MARINA DEL REY, CA  
PAGE 26 3.15.07



Signage Opportunity

Painted Plaster Wall

South Elevation



Outdoor seating area

West Elevation



**ac martin partners, inc**  
PLANNING  
ARCHITECTURE  
ENGINEERING

## Lounge & Boatwright Building Elevations

### Sheet 2

**BOAT CENTRAL**  
ALMAR / PMD  
MARINA DEL REY, CA  
PAGE 27 3.15.07

**EXHIBIT F-1**  
**Initial Interim Site Plan**





**EXHIBIT F-2**  
**POST TRAILER USE TERMINATION SITE PLAN**



# **INTERIM CONSTRUCTION SITE PLAN** Boat Central, Marina del Rey, CA

**EXHIBIT F-3**  
**FINAL SITE PLAN**





# FINAL SITE PLAN

## Boat Central, Marina Del Ray, CA



Caring for Your Coast

**Gary Jones**  
Director

**Kerry Silverstrom**  
Chief Deputy

**John Kelly**  
Deputy Director

**Brock Ladewig**  
Deputy Director

September 21, 2016

TO: Small Craft Harbor Commission

FROM:  Gary Jones, Director

SUBJECT: **ITEM 2c – APPROVAL OF AMENDMENT NO. 3 TO AMENDED AND  
RESTATED LEASE NO. 26695 ADMIRALTY APARTMENTS (PARCEL 141V  
AT 4100 Admiralty Way) MARINA DEL REY**

Item 2c on your agenda pertains to Amended and Restated Lease No. 26695 of Parcel 141V (Marina del Rey Marriott) and the adjustment of percentage rents and minimum rent retroactively as of March 1, 2013. Lessee has agreed to amend the County percentage rental rates for the following percentages of gross receipts: 10% for occupancy of structures and other facilities including hotel rooms and meeting rooms, 3.5% for Restaurants, and 5% for sales of miscellaneous good and services. All other percentage rental rates will be maintained at the current levels. Minimum rent is being increased. The adjustment is projected to yield an additional rent of \$257,350 over the ten-year period beginning March 1, 2013. Insurance provisions will be updated.

Your Commission's endorsement of the recommendations in the draft Board letter attached is requested. Staff will inform your Commission should there be any material change made to this draft prior to submitting it to the Board of Supervisors for approval.

The recommended action will keep County percentage rents at Parcel 141V comparable to other Marina del Rey leaseholds and update insurance provisions, in fulfillment of the County Strategic Plan Goal No. 1, "Operational Effectiveness/Fiscal Sustainability."

GJ:BL:SP:mr

Attachments



\_\_\_\_\_, 2016

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

Dear Supervisors:

**DEPARTMENT OF BEACHES AND HARBORS: APPROVAL OF AMENDMENT NO.  
3 TO LEASE NO. 26695  
MARINA DEL REY MARRIOTT (PARCEL 141V) – MARINA DEL REY  
(FOURTH DISTRICT) (4 VOTES)**

**SUBJECT**

This Board letter requests approval of a lease amendment for Marina del Rey Parcel 141V (Marina del Rey Marriott) that modifies the provisions regarding the security deposit, square foot rental, and general rent renegotiation and arbitration; readjust certain percentage rental rates; and updates the insurance provisions.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Find that the proposed lease Amendment No. 3 to Lease No. 26695 is categorically exempt under the California Environmental Quality Act pursuant to class 1(r) of the Environmental Document Reporting Procedures and Guidelines adopted by your Board, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and authorize the Chair to sign the attached Amendment No. 3 to Lease No. 26695, pertaining to the readjustment of rents and insurance for a ten-year period ending February 28, 2023.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Marina del Rey ground leases generally provide for the periodic review of leasehold rents and liability insurance coverage to ensure that the rental rates payable to the County are maintained at current fair market levels and that the amount of general liability insurance is adequate to protect the County's interests (collectively, the "Adjustments"). Rents are typically computed as the greater of either a fixed minimum rent or the total of varying percentages of the lessee's gross receipts from uses of the leasehold.

Marina del Rey Lease No. 26695 for Parcel 141V (Lease) requires that the Adjustments occur on March 1, 2013 (2013 Rental Adjustment Date) and every fifth anniversary thereafter. Typically, Marina del Rey ground leases require that such adjustments occur every ten years. Therefore, effective on the 2013 Rental Adjustment Date, in order to increase efficiently and standardize the adjustments across Marina del Rey ground leases, Amendment No. 3 provides that the Adjustments to the Lease shall occur every ten years.

Effective on the 2013 Rental Adjustment Date, proposed Amendment No. 3 also provides the following:

- A. Changes to the percentage rental rates: (1) Occupancy of Structures from 7.5% to 10.0%; (2) Restaurants from 3.0% to 3.5%; and (3) Sales from 1.0% to 5.0%. All other percentage rental rates remain unchanged;
- B. Amends the Lease's Square Foot Rental section to include a provision that all subsequent minimum rent adjustments shall either increase the annual minimum rent or maintain it at the then-current level;
- C. Amends the Lease's Rental Security Deposit section to include a provision requiring the Lessee to maintain the full amount of the Rental Security Deposit at all times; and
- D. Provides for a reconciliation of the rent effective back to the 2013 Rental Adjustment Date and requires payment of any additional rent owed to the County as a result of the rent adjustment.

Finally, as of the Effective Date, Amendment No. 3 incorporates changes to the indemnity clause, insurance requirements, and miscellaneous insurance provisions to conform to the Chief Executive Office's Risk Management Branch's current requirements.

#### Implementation of Strategic Plan Goals

The recommended action will keep County percentage rent categories at Parcel 141V comparable to other Marina del Rey parcels and will incorporate new insurance provisions, in fulfillment of Strategic Plan Goal No. 1, "Operational Effectiveness," Strategy 1, "Fiscal Sustainability."

#### **FISCAL IMPACT/FINANCING**

Proposed Amendment No. 3 would result in an increase in the minimum rent from \$67,759 to \$103,037, an increase of \$35,278. However, as the percentage rents for this leasehold routinely exceed the new minimum rent, this change in the minimum rent likely will not affect the overall increase in rent.



An overall increase in rent received by the County is anticipated in connection with the above described changes in the percentage rent rates.

Additionally, Amendment No. 3 contains a provision for payment of retroactive rent, to be remitted by the HMM Marina LLC within ten days of your Board's approval of Amendment No. 3. The approximate amount of retroactive rent is \$210,586, which, when added to the projected annual percentage rent increase of \$42,716, will yield an additional \$253,302 to the County in Fiscal Year 2016-17.

#### Operating Budget Impact

The recommended action will increase Marina del Rey revenue by an estimated \$42,716 in percentage rent and approximately \$210,586 in one-time retroactive rent. The annual increase received from Fiscal Year 2016-17 is budgeted in the Department's Fiscal Year 2016-17 Recommended Budget.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

Commonly known as the Maria del Rey Marriott, Parcel 141V occupies a total land area of 156,758 square feet in Marina del Rey. Parcel 141V is improved with a nine-story hotel building with approximately 240,000 square feet of building area which contains 370 hotel rooms, an indoor/outdoor restaurant having a seating capacity of 225 persons, and additional banquet and meeting rooms. Other improvements include a pool and spa area, and a two-story (three-level) parking structure having approximately 600 parking spaces. The original Lease commenced October 1, 1962, having a 60-year term (Lease No. 6125), however, a new lease was entered into on August 26, 1975 (Lease No. 26695) which incorporated, by reference, certain terms of the original Lease. Amendment No. 2 to the Lease, dated March 1, 1983, extended the term for 60 years from the effective date of the amendment.

Amendment No. 3 has been approved as to form by County Counsel. At its meeting of August 10<sup>th</sup>, 2016, the Small Craft Harbor Commission \_\_\_\_\_ the Director's recommendation that your Board approve and execute the Amendment.

### **ENVIRONMENTAL DOCUMENTATION**

Proposed Amendment No. 3 is categorically exempt under the provisions of the California Environmental Quality Act (CEQA) pursuant to class 1(r) of the County's Environmental Document Reporting Procedures and Guidelines and Section 15301 of the State CEQA Guidelines (Existing Facilities).

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no impact on current services from your Board's approval of Amendment No. 3.

The Honorable Board of Supervisors  
\_\_\_\_\_, 2016  
Page 4

**CONCLUSION**

Please have the Chair sign all three copies of Amendment No. 3 and have the Executive Officer of the Board return two executed copies, as well as a copy of the adopted Board letter, to the Department of Beaches and Harbors.

Respectfully submitted,

Gary Jones  
Director

Attachments (1)

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

GJ:KS:BL:SP:MR:skn

**AMENDMENT NO. 3 TO LEASE NO. 26695**

**PARCEL NO. 141V – MARINA DEL REY SMALL CRAFT HARBOR**

THIS AMENDMENT TO LEASE is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_  
2016 (the "Effective Date")

**BY AND BETWEEN**

**COUNTY OF LOS ANGELES,  
hereinafter referred to as "County",**

**AND**

**HMH MARINA LLC, a Delaware limited  
liability company hereinafter referred to as  
"Lessee."**

**RECITALS:**

WHEREAS, County and Interstate Marina Development Co. entered into Lease No. 26695 under the terms of which County leased to Interstate Marina Development Co. that certain real property located in the Marina del Rey Small Craft Harbor, County of Los Angeles, State of California, now commonly known as Parcel 141V, which leasehold premises (the "Premises") are more particularly and legally described in Exhibit A attached to and incorporated in said Lease, and amended (the Lease and all amendments are collectively hereafter referred to as the "Lease"); and

WHEREAS, Interstate Marina Development Co. assigned the Lease to Marina Hotels, Inc. by Document 84-15412 recorded in the official records of the Los Angeles County Registrar-Recorder's Office; and

WHEREAS, HMH Marina, Inc. acquired the Lease at a foreclosure sale on November 3, 1995; and

WHEREAS, HMH Marina, Inc. assigned the Lease to HMH Marina LLC on December 14, 1998; and

WHEREAS, Section 15 of said Lease provides that as of March 1, 2013, and every fifth (5th) year thereafter, the square foot rental and percentage rentals and the amount of casualty insurance (collectively, the "Adjusted Rentals") shall be readjusted by Lessee and County in accordance with the standards established in said Section 15; and

WHEREAS, the parties hereto have reached agreement with respect to the required adjustments and wish to amend the Lease as set forth herein, effective as of March 1, 2013 ("2013 Rental Adjustment Date").

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby deemed a contractual part hereof, and the mutual agreements, covenants and restrictions contained herein, the parties agree as follows:

1. **RENTAL SECURITY DEPOSIT.** Commencing as of the 2013 Rental Adjustment Date, Section 7 of the Lease is deleted in its entirety and the following substituted therefor:

Lessee shall at all times maintain a security deposit in an amount equal to three (3) monthly installments of the then-in effect annual square foot rental. The security deposit shall be retained by County to cover delinquent rents and any other financial obligations of the Lessee under this Lease, and shall be so applied at the discretion of County.

In the event all or any part of the security deposit is applied against any rent or other financial obligations of Lessee due and unpaid, the Lessee shall immediately reimburse the County an amount equal to that portion of the security deposit applied by County so that, at all times during the life of this Lease, said full security deposit shall be maintained with County. Failure to maintain the full amount of security deposit shall constitute an event of default pursuant to Section 21. Upon forfeiture or termination of this Lease, any portion of said security deposit due the Lessee shall be returned.

2. **SQUARE FOOT RENTAL.** Commencing as of the 2013 Rental Adjustment Date, Section 12 (SQUARE FOOT RENTAL) of the Lease, sometimes elsewhere in the Lease referred to as "minimum rents," is amended by the adding the following:

The annual square foot rental shall be readjusted on the 2013 Rental Adjustment Date and on March 1 every third year thereafter (each, a "Square Foot Rental Adjustment Date"). On the Square Foot Rental Adjustment Date, the annual square foot rental shall be readjusted to an amount equal to seventy-five percent (75%) of the annual average of all rents payable by Lessee for the preceding three-year period that ends three (3) months prior to the Square Foot Rental Adjustment Date; provided, however, that in no event shall the annual square foot rental be readjusted to an amount that is less than the then-in effect annual square foot rental.

3. **PERCENTAGE RENTALS.** Effective as of the 2013 Rental Adjustment Date, subsections (c), (j) and (s) of Section 13 (PERCENTAGE RENTALS) are deleted and the following subsections (c), (j) and (s) are correspondingly substituted therefor:

(c) TEN Percent (10%) of gross receipts or other fees charged for the occupancy of structures and other facilities including but not limited to: (i) parking fees or charges except where such parking fees or charges are collected in conjunction with an activity, the gross receipts from which are required to be reported in a percentage category greater than TEN Percent (10%), and (ii) offices utilized for banking, financial or investment activities, internal clerical or administrative activities or business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, or similar professional services; provided however that this category shall not include stores, shops or other commercial



establishments, the gross receipts pertaining to which are subject to percentage rentals and specifically required to be reported under other subsections of this Section 13.

(j) THREE AND ONE-HALF Percent (3.5%) of gross receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beaches and theater food facilities, except that gross receipts from facilities established and operated as a take-out food operation shall be reported under subsection (s).

(s) FIVE Percent (5%) of gross receipts from the sale of miscellaneous goods and services not specifically provided for elsewhere in this subsection.

4. **RETROACTIVE RENT.** Lessee shall pay to County, within ten (10) days following the Effective Date, for the period between the 2013 Rental Adjustment Date and the actual date of payment (the "Retroactive Period"), the difference between (i) the actual rents paid by Lessee under the rental rates in effect prior to the effectiveness of this Amendment from the 2013 Rental Adjustment Date to the Effective Date, and (ii) the rents that should have been paid for the same period in accordance with the new rental rates as determined hereby ("Retroactive Payment").

5. **GENERAL RENT RENEGOTIATION AND ARBITRATION.** Effective as of the 2013 Rental Adjustment Date, the last sentence of the first paragraph of Section 15 (GENERAL RENT RENEGOTIATION AND ARBITRATION) is hereby deleted and the following substituted therefor:

At the end of said period, and at the end of every ten (10) year period thereafter (each such date is hereafter referred to as a "Decennial Rental Adjustment Date"), said rentals shall be readjusted as provided hereinafter.

6. **PROPERTY INSURANCE.** Commencing as of the 2013 Rental Adjustment Date, Section 25 of Lease (Property Insurance) is deleted in its entirety.
7. **WORKMAN'S COMPENSATION INSURANCE.** Commencing as of the 2013 Rental Adjustment Date, Section 27 of Lease (Workman's Compensation Insurance) is deleted in its entirety.
8. **FAILURE TO PROCURE INSURANCE.** Commencing as of the 2013 Rental Adjustment Date, Section 28 of Lease (Failure to Procure Insurance) is deleted in its entirety.
9. **INDEMNIFICATION AND INSURANCE REQUIREMENTS.** Commencing as of the 2013 Rental Adjustment Date, Section 26 of Lease (Indemnification and Insurance Requirements) is deleted in its entirety and the following substituted therefor:

**INDEMNIFICATION AND INSURANCE REQUIREMENTS:** During the term of

this Lease, the following indemnification and insurance requirements shall be in effect.

## **I. INDEMNIFICATION AND INSURANCE REQUIREMENTS**

The Lessee shall indemnify, defend and hold harmless the Lessor, from and against any and all liability, loss, injury or damage including (but not limited to) demands, claims, actions, fees, costs and expenses (including attorney and expert witness fees), arising from or connected with the Lessee's repair, maintenance and other acts and omissions arising from and/or relating to the Lessee's use of the Premises, except for such loss or damage that arises from the sole negligence or willful misconduct of the lessor.

## **II. GENERAL INSURANCE PROVISIONS - LESSEE REQUIREMENTS**

Without limiting the Lessee's indemnification of Lessor and during the term of this Lease, and until all of its obligations pursuant to this Lease have been met, Lessee shall provide and maintain at its own expense insurance coverage satisfying the requirements specified in this Lease. These minimum insurance coverage terms, types and limits (the "Required Insurance") also are in addition to and separate from any other contractual obligation imposed upon Lessee pursuant to this Lease. The Lessor in no way warrants that the Required Insurance is sufficient to protect the Lessee for liabilities which may arise from or relate to this Lease.

### **A. Evidence of Coverage and Notice to Lessor**

- Certificate(s) of insurance coverage (Certificate) satisfactory to Lessor, and a copy of an Additional Insured endorsement confirming Lessor and its Agents (defined below) has been given additional Insured status under the Lessee's General Liability policy, shall be delivered to Lessor at the address shown below and provided prior to the start day of this Lease.
- Renewal Certificates shall be provided to Lessor prior to Lessee's policy expiration dates.
- Certificates shall identify all Required Insurance coverage types and limits specified herein, reference this Lease by name or number, and be signed by an authorized representative of the insurer(s). The Insured party named on the Certificate shall match the name of the Lessee identified in this Lease. Certificates shall provide the full name of each insurer providing coverage and list any Lessor required endorsement forms.
- Neither the Lessor's failure to obtain, nor the Lessor's receipt of, or failure to object to a non-complying insurance certificate or endorsement, or any other insurance documentation or information

provided by the Lessee, its insurance broker(s) and/or insurer(s), shall be construed as a waiver of any of the Required Insurance provisions.

- Certificates and copies of any required endorsements, and notices of cancellation shall be delivered to:

County of Los Angeles  
Department of Beaches and Harbors  
Attention: Asset Management Division  
13837 Fiji Way  
Marina del Rey, CA 90292

- Lessee also shall promptly notify Lessor of any third party claim or suit filed against Lessee which arises from or relates to this Lease, and could result in the filing of a claim or lawsuit against Lessee and/or Lessor.

**B. Additional Insured Status and Scope of Coverage**

The Lessor, which is the County of Los Angeles, its Special Districts, Elected Officials, Officers, Agents, Employees and Volunteers (collectively Lessor and its Agents), shall be provided additional insured status under Lessee's General Liability policy with respect to liability arising from or connected with the Lessee's acts, errors, and omissions arising from and/or relating to the Lessee's operations on and/or its use of the premises. Lessor's additional insured status shall apply with respect to liability and defense of suits arising out of the Lessee's acts or omissions. Use of an automatic additional insured endorsement form is acceptable providing it satisfies the Required Insurance provisions herein.

**C. Cancellation of or Changes in Insurance**

Lessee shall provide County with, or Lessee's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance may constitute a material breach of the Lease, in the sole discretion of the County, upon which the County may suspend or terminate this Lease.

Lessee shall notify Lessor if at any time Lessee's insurance no longer meets the requirements of this Lease.

**D. Failure to Maintain Insurance**

Lessee's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute a material breach of the Lease, upon which County immediately may suspend or terminate this

Lease. County, at its sole discretion, may obtain damages from Contractor resulting from said Lease.

**E. Insurer Financial Ratings**

Insurance is to be provided by an insurance company legally able to provide insurance in California and acceptable to the Lessor, with an A.M. Best rating of not less than A:VII, unless otherwise approved by the Lessor. However Lessor will allow the use of insurers with a rating of A-VII as long as such insurers represent no more than 10% of Lessee's limits.

**F. Lessee's Insurance Shall Be Primary**

Lessee's insurance policies, with respect to any claims related to this Lease, shall be primary with respect to all other sources of coverage available to Lessor, except where the claim arises out of the negligence or intentional acts of Lessor. Any Lessor maintained insurance or self-insurance coverage shall be in excess of and not contribute to any Lessee coverage.

**G. Waiver of Subrogation**

To the fullest extent permitted by law, the Lessee hereby waives its and its insurer(s) rights of recovery against Lessor under all required insurance policies for any loss arising from or related to this Lease. The Lessee shall require its insurers to execute any waiver of subrogation endorsements which may be necessary to affect such waiver.

**H. Deductibles and Self-Insured Retentions (SIRs)**

Lessee's policies shall not obligate the Lessor to pay any portion of any Lessee deductible or SIR.

**I. Claims Made Coverage**

If any part of the Required Insurance is written on claims made basis, any policy retroactive date shall precede the start date of this Lease. Lessee understands and agrees it shall maintain such coverage for a period of not less than three (3) years following Lease expiration, termination or cancellation.

**J. Application of Excess Liability Coverage**

Lessee may use a combination of primary and excess insurance policies which provide coverage as broad as ("follow form" over) the underlying primary policies, to satisfy the Required Insurance provisions.

**K. Separation of Insureds**

All liability policies shall provide cross-liability coverage as would be afforded by the standard ISO (Insurance Services Office, Inc.) separation of insureds provision with no insured versus insured exclusions or limitations.

**L. Lessor Review and Approval of Insurance Requirements**

The Lessor reserves the right to review and adjust the Required Insurance provisions, conditioned upon Lessor's determination of changes in risk exposures.

**III. INSURANCE COVERAGE TYPES AND LIMITS**

At a minimum, all Parcel Leases that have a single commercial building for general office use, with multiple floors and tenants, and parking should include Section III provisions A through E below.

**A. Commercial General Liability Insurance** providing scope of coverage equivalent to ISO policy form CG 00 01, naming Lessor and its Agents as an additional insured, with limits of not less than:

General Aggregate:	\$ 10 million
Products/Completed Operations Aggregate:	\$ 10 million
Personal and Advertising Injury:	\$ 5 million
Each Occurrence:	\$ 5 million

**B. Automobile Liability Insurance** (providing scope of coverage equivalent to ISO policy form CA 00 01) with limits of not less than \$1 million for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance shall cover liability arising out of Lessee's use of autos pursuant to this Lease, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

**C. Workers Compensation and Employers' Liability** insurance or qualified self-insurance satisfying statutory requirements, which includes Employers' Liability coverage with limits of not less than \$1 million per accident. If applicable to Lessee's operations, coverage also shall be arranged to satisfy the requirements of any federal workers or workmen's compensation law or any federal occupational disease law.

**D. Commercial Property Insurance.** Such coverage shall:

- Provide coverage for Lessee's property, and any improvements and betterments; This coverage shall be at least as broad as that provided by the Causes-of-Loss Special Form (ISO form CP 10 30), including earthquake (if Lessee deems it reasonable), Ordinance or Law Coverage, flood, and Business Interruption equal to two (2) years annual rent;
- Be written for the full replacement cost of the property, with a deductible no greater than \$250,000 or 5% of the property value whichever is less, except for earthquake, where the deductible shall be equal to 5% of replacement cost including business interruption.

The coverage limit for earthquake may be determined by a probable maximum loss study, and the limit may apply jointly for the benefit of other assets owned by Lessee or its parents or affiliates. Insurance proceeds shall be payable to the Lessee and Lessor as their interests may appear and be utilized for repair and restoration of the Premises. Failure to use such insurance proceeds to timely repair and restore the Premises shall constitute a material breach of the Lease.

- E. **Liquor Liability** insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) shall be provided and maintained by the Lessee if and then the manufacturing, distribution or service of alcoholic beverages occurs in the Premises, with limits of not less than \$5 million per occurrence and \$10 million aggregate. If written on a "claims made" form, the coverage shall also provide an extended two (2) year reporting period commencing upon the expiration or earlier termination of this Agreement, or replacement coverage shall be maintained until such time.



IN WITNESS WHEREOF, as of the Effective Date, County has, by order of its Board of Supervisors, caused this Amendment No. 3 to Lease No. 26695 to be subscribed by the Chair of said Board and attested by the Executive Officer thereof, and the Lessee or its duly authorized representative, has executed the same.

LESSEE:

HMH MARINA LLC,  
A Delaware Limited Liability

By: Jeffrey S. Clark  
Name: Jeffrey S. Clark  
Title: Vice President

ATTEST:

COUNTY OF LOS ANGELES

LORI GLASGOW  
Executive Office-Clerk  
of the Board of Supervisors

By: \_\_\_\_\_  
Deputy

By: \_\_\_\_\_  
Hilda L. Solis, Chair  
Board of Supervisors

APPROVED AS TO FORM:  
MARY C. WICKHAM  
County Counsel

By: \_\_\_\_\_  
Senior Deputy