

AMENDED AND RESTATED LEASE AGREEMENT

by and between

County of Los Angeles

and

Del Rey Yacht Club

(Parcel 30S--Lease No. 5491)

Dated as of October 12, 1999

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**AMENDED AND RESTATED LEASE AGREEMENT
PARCEL 30-MARINA DEL REY**

THIS AMENDED AND RESTATED LEASE AGREEMENT ("Lease") is made and entered into as of the 12th day of October, 1999, by and between the COUNTY OF LOS ANGELES ("County"), and DEL REY YACHT CLUB, a nonprofit corporation ("Lessee").

WITNESSETH

WHEREAS, the parties hereto or their predecessors in interest, on the 27th of March, 1962, entered into a Lease No. 5491 (as amended prior hereto, the "Original Lease") whereby Lessee leased from County that certain real property in the Marina del Rey Small Craft Harbor known as Parcel No. 30S and which is more specifically described on Exhibit A attached hereto and incorporated herein by this reference ("Premises"); and

WHEREAS, Lessee desires to extend, and County is willing to extend as provided herein, the term of the Original Lease, upon and subject to the terms and conditions more specifically provided herein; and

WHEREAS, without the extension as provided herein, the anticipated term of possession under the Original Lease was through its termination date of February 28, 2022.

WHEREAS, County and Lessee desire further to amend and to restate the Original Lease in its entirety, upon the terms and conditions more specifically provided herein.

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 as follows:

1. BACKGROUND AND GENERAL.

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

1.1.1. "1999 VALUE shall have the meaning set forth in subsection 4.8.1.1.

1.1.2. "ACCOUNTING YEAR" shall have the meaning set forth in Section 14.7.

1.1.3. "ACCUMULATION FUND" shall have the meaning set forth in subsection 2.3 of this Lease.

1.1.4. "ACTUAL COST" shall mean the reasonable cost and expenses incurred by County with respect to a particular activity or procedure, including without limitation (i) expenditures to third party legal counsel, auditors, financial consultants and advisors and (ii) County's internal overhead and administrative costs, which include without limitation the value of services provided by County's in-house counsel, lead lease negotiators/administrators and any other lease auditors and other County administrative staff below the level of deputy director (the administrative level which is two levels below the County department head) required by the lead lease negotiators/administrators for technical expertise or assistance.

1.1.5. "ADA" shall have the meaning set forth in Section 1.2.1.

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

1.1.9. "APPLICABLE LAWS" shall have the meaning set forth in subsection 1.2.1.

1.1.10. "APPLICABLE RATE" shall mean an annually compounded rate of interest equal to the greater of (a) ten percent (10%) per annum or (b) the Prime Rate, as defined in subsection 4.4.6, plus three percent (3%)

per annum; however, the Legal 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.

1.1.11. "APPROVED FINAL PLANS, SPECIFICATIONS AND COSTS" shall have the meaning set forth in subsection 5.5.1.

1.1.12. "ASSIGNMENT STANDARDS" shall have the meaning set forth in Section 11.2.

1.1.13. "AUDITOR-CONTROLLER" shall mean the Auditor-Controller of the County of Los Angeles, California.

1.1.14. "AVERAGE MONTHLY GROSS RECEIPTS" shall have the same meaning set forth in subsection 4.4.2.1.

1.1.15. "AWARD" shall have the meaning set forth in subsection 6.1.3.

1.1.16. "BENEFICIAL INTEREST" shall have the meaning set forth in subsection 4.6.4.

1.1.17. "BOARD" shall mean the Board of Supervisors for the County of Los Angeles.

1.1.18. "BUILDINGS" shall have the meaning set forth in subsection 2.3.2.1.

1.1.19. "BUSINESS DAY" shall have the meaning set forth in Section 17.3.

1.1.20. "CALCULATION NOTICE" shall have the meaning set forth in Section 4.7.

1.1.21. "CHANGE OF OWNERSHIP" shall have the meaning set forth in subsection 4.6.1.

1.1.22. "CHANGE OF CONTROL" shall have the meaning set forth in subsection 4.6.1.

1.1.23. "CITY" shall mean the city of Los Angeles, California.

1.1.24. "COMPARABLE SLIP LEASEHOLDS" shall have the meaning set forth in subsection 4.4.2.1.

1.1.25. "CONDEMNATION" shall have the meaning set forth in subsection 6.1.1.

1.1.26. "CONDEMNOR" shall have the meaning set forth in subsection 6.1.4.

1.1.27. "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.

1.1.28. "COST" shall have the meaning set forth in subsection 4.2.2.3 (4)(g).

1.1.29. "COUNTY" shall have the meaning set forth in the first paragraph of this Lease.

1.1.30. "COUNTY OPTION" shall have the meaning set forth in subsection 11.2.4.

1.1.31. "COUNTY OPTION PRICE" shall have the meaning set forth in subsection 11.2.4.

1.1.32. "COUNTY POOL RATE" shall have the meaning set forth in subsection 4.4.5.1.

1.1.33. "DATE OF TAKING" shall have the meaning set forth in subsection 6.1.2.

1.1.34. "DEPARTMENT" shall mean the Department of Beaches and Harbors of the County of Los Angeles.

1.1.35. "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.

1.1.36. "DISQUALIFICATION JUDGMENT" shall have the meaning set forth in subsection 16.14.1.

1.1.37. "DOCUMENTED TRANSACTION COSTS" shall have the meaning set forth in subsection 4.8.1.2.

1.1.38. "ENCUMBRANCE" shall have the meaning set forth in subsection 12.1.1.

1.1.39. "ENCUMBRANCE HOLDER" shall have the meaning set forth in subsection 12.1.1.

1.1.40. "ENR INDEX" shall have the meaning set forth in subsection 2.3.1.

1.1.41. "EVENTS OF DEFAULT" shall have the meaning set forth in Section 13.1.

1.1.42. "EXCESS PERCENTAGE RENT PAYMENT" shall have the meaning set forth in subsection 4.2.2.4.

1.1.43. "EXECUTION DATE" shall mean the date of execution of this Lease by County.

1.1.44. "EXTENDED TIME" shall have the meaning set forth in Section 15.18.

1.1.45. "EXTENSION PAYMENT" shall have the meaning set forth in subsection 2.2.

1.1.46. "FAIR MARKET RENTAL VALUE" shall have the meaning set forth in subsection 4.4.1.

1.1.47. "FINANCING EVENT" shall have the meaning set forth in Section 12.1.

1.1.48. "FISCAL YEAR" shall mean a twelve month period commencing July 1 and ending June 30 of the next calendar year.

1.1.49. "FORCE MAJEURE" shall have the meaning set forth in subsection 5.6.

1.1.50. "GROSS ERROR" shall have the meaning set forth in subsection 16.14.3.

1.1.51. "GROSS RECEIPTS" shall have the meaning set forth in subsection 4.2.2.3.

1.1.52. "IMPROVEMENTS" shall have the meaning set forth in Section 5.1.

1.1.53. "IMPROVEMENT COSTS" shall have the meaning set forth in subsection 4.8.1.1.

1.1.54. "INCOME APPROACH" shall have the meaning set forth in Section 6.5.

1.1.55. "INITIATING PARTY" shall have the meaning set forth in the first paragraph of Article 16.

1.1.56. "INSTITUTIONAL LENDER" shall have the meaning set forth in subsection 12.1.3.1.

1.1.57. "LATE FEE" shall have the meaning set forth in Section 4.5.

1.1.58. "LEASE" shall mean this Amended and Restated Lease Agreement.

1.1.59. "LEASE YEAR" shall have the meaning set forth in Section 2.1.

1.1.60. "LESSEE" shall have the meaning set forth in the first paragraph of this Lease.

1.1.61. "LESSEE SALE PRICE" shall have the meaning set forth in

subsection 11.2.4.

1.1.62. "MAJOR SUBLEASE" shall have the meaning set forth in subsection 11.1.1.

1.1.63. "MAJOR SUBLESSEE" shall have the meaning set forth in subsection 11.1.1.

1.1.64. "MARINA DEL REY AVERAGE PERCENTAGE RENT" shall have the meaning set forth in subsection 4.4.1.

1.1.65. "MONTHLY MINIMUM RENT" shall have the meaning set forth in subsection 4.2.1.

1.1.66. "NET AWARDS AND PAYMENTS" shall have the meaning set forth in Section 6.7.

1.1.67. "NET PROCEEDS SHARE" shall have the meaning set forth in Section 4.8.

1.1.68. "NET REFINANCING PROCEEDS" shall have the meaning set forth in subsection 4.8.5.

1.1.69.. "NET TRANSFER PROCEEDS" shall have the meanings set forth in subsections 4.8.1 and 4.8.2.

1.1.70. "NOTICE OF COMPLETION" shall have the meaning set forth in subsection 5.7.7.

1.1.71. "ORIGINAL LEASE" shall have the meaning set forth in the preamble to this Lease.

1.1.72. "PARTIAL TAKING" shall have the meaning set forth in Section 6.5.

1.1.73. "PAYMENT BOND" shall have the meaning set forth in subsection 5.5.4.2.

1.1.74. "PERCENTAGE RENT" shall have the meaning set forth in subsection 4.2.2.

1.1.75. "PERFORMANCE BOND" shall have the meaning set forth in subsection 5.5.4.1.

1.1.76. "PERMITTED CAPITAL EXPENDITURE" shall have the meaning set forth in subsection 2.3.2.1.

1.1.77. "PERMITTED USES" shall have the meaning set forth in Section 3.1.

1.1.78. "PREMISES" shall have the meaning set forth in the first recital to this Lease, as more specifically described in Exhibit A hereto.

1.1.79. "PRIME RATE" shall have the meaning set forth in subsection 4.4.5 (2).

1.1.80. "PROMENADE SUBACCOUNT" shall have the meaning set forth in subsection 2.3.1.

1.1.81. "PROPOSED TRANSFER" shall have the meaning set forth in subsection 11.2.4.

1.1.82. "PUBLIC SERVICE PLAN" shall have the meaning set forth in subsection 4.2.2(t).

1.1.83. "PUBLIC WORKS DIRECTOR" shall mean the Director of the Department of Public Works of the County of Los Angeles.

1.1.84. "PURCHASE MONEY NOTE" shall have the meaning set forth in subsection 4.7.2.

1.1.85. "RENEGOTIATION PERIOD" shall have the meaning set forth in subsection 4.4.2.

1.1.86. "REPLY" shall have the meaning set forth in Section 16.5.

1.1.87. "RESPONDING PARTY" shall have the meaning set forth in the first paragraph of Article 16.

1.1.88. "SECTION" shall mean a section of this Lease.

1.1.89. "SECURITY DEPOSIT" shall have the meaning set forth in Section 7.1.

1.1.90. "SHALL" and "WILL" are mandatory and the word "MAY" is permissive.

1.1.91. "STATE" shall mean the State of California.

1.1.92. "STATEMENT OF POSITION" shall have the meaning set forth in subsection 16.6.

1.1.93. "SUBSECTION" shall mean a subsection of a Section of this Lease.

1.1.94. "SUBLEASE" shall have the meaning set forth in subsection 11.1.1.

1.1.95. "SUBLESSEE" shall have the meaning set forth in subsection 11.1.1.

1.1.96. "TERM" shall have the meaning set forth in Section 2.1.

1.1.97. "TIME OF THE ESSENCE" shall have the meaning set forth in Section 15.5.

1.1.98. "UNINSURED LOSS" shall have the meaning set forth in Section 10.2.

1.1.99. "WEIGHTED AVERAGE" shall mean, with respect to a percentage of rent, the total amount of rent received by County in that category from the relevant leaseholds divided by the total Gross Receipts reported to County by such leaseholds.

1.1.100. "WRITTEN APPRAISAL EVIDENCE" shall have the meaning set forth in subsection 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 predecessor-in-interest has 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. 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 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, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage (other than as specifically provided in Section 10.4 hereof), 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, (iv) the development potential of the Premises, and the Premises' use, habitability, merchantability or fitness, or the suitability, value or adequacy of the Premises 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 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, and (ix) the economics of the operation of the Premises.

1.2.2. Title. 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.

2. TERM.

2.1. Term. Unless terminated sooner in accordance with the provisions of this Lease, the term of this Lease shall be for a period of eighty-five (85) years, commencing on March 1, 1962 and expiring at 11:59 p.m. on February 28, 2047 ("Term"). Each twelve month period during the Term, commencing March 1 and ending February 28 or, as appropriate, February 29 of the following calendar year, is referred to herein as a "Lease Year" unless otherwise agreed to by Lessee and Director.

2.2. Extension Payment. In consideration of the twenty five (25) year extension of the Term granted by County to Lessee as provided herein, Lessee shall pay to County, in addition to all other amounts due hereunder, the principal sum of five hundred thousand and 00/100 dollars (\$500,000) plus interest on any unpaid principal balance as provided in this subsection. Lessee shall pay to County the sum of one hundred thousand dollars (\$100,000) concurrently with its execution of this Agreement. The balance of the aforementioned principal sum shall be paid by Lessee to County in fifteen annual payments, consisting of (i) ten annual payments of interest only on the outstanding balance of four hundred thousand dollars (\$400,000), at an interest rate which shall be the greater of (a) eight and one half percent (8.5%) per annum or (b) the County Pool Rate (as defined in subsection 4.4.5), followed by (ii) five annual payments consisting of (x) a principal payment of eighty thousand and 00/100 dollars (\$80,000), together with (y) a payment of interest on the entire unpaid balance from time to time as calculated as follows: interest shall be calculated from the date of execution of this Lease to the next July 1 for the first year and thereafter from the previous July 1 through the payment due date (the "Extension Payments" and, individually,

an "Extension Payment"). The Extension Payments after the first principal payment shall be due and payable on or before July 1 of each year commencing on July 1, 2000. Upon thirty (30) days written notice to County, Lessee shall have the option to prepay the entire unpaid balance of the Extension Payments, with interest on such unpaid balance through the next Extension Payment due date, on or before July 1 of each year commencing in 1999. Any uncured failure by Lessee to make an Extension Payment shall be a monetary default of the terms and conditions of this Agreement and shall give rise to County's remedies as set forth herein, including without limitation County's right to terminate this Agreement.

2.3. Accumulation Fund Requirements. In addition to the rental and other payments required hereunder, Lessee agrees to make annual contributions to a fund established by Lessee (the "Accumulation Fund") for Permitted Capital Expenditures (as defined below). The Accumulation Fund shall be maintained in a commercial bank, savings and loan institution or other institution acceptable to County. Copies of the six most recent monthly statements relating to the Accumulation Fund shall be delivered to County semi-annually, on or before January 1 and July 1 of each year.

2.3.1. Annual Contributions. In each calendar year from 1999 to and including 2047, Lessee shall deposit the sum of one hundred thousand and 00/100 (\$100,000) to the Accumulation Fund, provided that the deposit for calendar year 1999 shall be a prorated amount from the Execution Date through the end of calendar year 1999 and the deposit for calendar year 2047 shall be prorated to the end of the Term. Lessee may satisfy its annual obligation through making deposits into the Accumulation Fund in twelve (12) equal monthly installments. On the Execution Date, Lessee shall deposit in the Accumulation Fund a prorated portion of the One Hundred Thousand Dollar (\$100,000) deposit for the balance of the 1999 calendar year. The amount of the annual obligation for each calendar year subsequent to the 1999 calendar year shall be increased each year by the percentage increase from January 1, 1999, if any, in 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 (the "ENR Index") over the ENR index for the prior year. Interest and earnings which accrue on the funds deposited in the Accumulation Fund shall remain in, and become part of, the Accumulation Fund.

Lessee shall place \$150,000 of the Building Fund existing on the date of this Lease in a separate trust portion of the Accumulation Fund to be used solely for construction of the waterfront promenade described in Section 15.2 hereof (the "Promenade Subaccount"). In addition, any amounts remaining in Lessee's existing Building Fund which are not expended by Lessee for permitted Building Fund purposes on or before December 31, 1999 may be deposited into, and become a part of, the Accumulation Fund. Any amounts remaining in the existing Building Fund after December 31, 1999 shall be subject to County rent.

2.3.2. Permitted Capital Expenditures. Lessee shall use the funds deposited in the Accumulation Fund to make Permitted Capital Expenditures consistent with those capital expenditures made by owners of comparable (in age and quality) first class private yacht clubs in southern California from time to time. Lessee and County agree and acknowledge that a primary purpose of the Accumulation Fund shall be the ongoing revitalization of the buildings and anchorage facilities on the Premises through the addition and installation of attractive and visible physical improvements to the exterior and interior and common areas of the buildings on the Premises. The funds deposited in the Accumulation Fund shall be used only for Permitted Capital Expenditures. Any funds in the Accumulation Fund at the expiration of the Term shall become the property of County.

2.3.2.1. A "Permitted Capital Expenditure" is an expenditure by Lessee for an addition, replacement or significant upgrade or significant improvement of or to the buildings, improvements, boat slips and/or anchorage facilities (including fingers as well as docks) (collectively, "Buildings") on the Premises, their exteriors or their major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) which significantly increases the capacity, efficiency, useful life or economy of operation of the Buildings or their major systems, as appropriate. Permitted Capital Expenditures do not include periodic, recurring or ordinary expenditures or repairs or periodic or recurring replacements that keep the Buildings or their major systems in an ordinarily efficient

operating condition but do not significantly add to their value or appreciably prolong their useful life. Permitted Capital Expenditures include items considered capital replacements, improvements and equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures may include additions, replacements or significant upgrades or significant improvements of or to the waterfront promenade which is the subject of Section 15.2 of the Lease, to the extent that such additions, replacements or significant upgrades or significant improvements are constructed after the date which is one (1) year following the completion of such waterfront promenade; in addition, Permitted Capital Expenditures shall include the original construction of such waterfront promenade to the extent of the funds in Lessee's existing Building Fund which are deposited into the Accumulation Fund as provided in subsection 2.3.1 hereof.

Permitted Capital Expenditures do not include:

- (i) expenditures to repair damage to the improvements to the extent that Lessee is reimbursed by insurance proceeds;
- (ii) costs incurred with respect to the installation of Lessees' , sublessees' or other occupants' improvements in the Buildings or incurred in renovating or otherwise improving, decorating, painting or redecorating for Lessee, sublessees or other occupants of the Buildings; provided, however, that, subject to Director's approval, such costs shall be allowable as Permitted Capital Expenditures for so long as Lessee operates the Premises as a private yacht club;
- (iii) costs incurred in connection with upgrading the Premises or improvements thereon to comply with life, fire and safety codes (other than the ADA and its state law counterpart), ordinances, statutes, or other laws, including penalties or damages incurred due to such non-compliance, except to the extent that such costs are incurred in connection with a Permitted Capital Expenditure;
- (iv) any and all costs arising from the presence of hazardous

materials or substances as defined by Applicable Laws or any and all costs related to hazardous materials or substances placed in or around the Buildings or ground by Lessee (or its predecessors in interest);

(v) costs arising from latent defects in the base, shell or core of the Buildings or improvements installed by Lessee (or its predecessors in interest) or the repair thereof;

(vi) costs incurred in connection with any environmental clean-up, response action or remediation on, in, under or about the Buildings or ground including but not limited to costs and expenses associated with the defense, administration, settlement, monitoring or management thereof;

(vii) landscaping expenditures which are not part of a relandscaping plan that replaces all or substantially all of the landscaping on the Premises;

(viii) costs incurred in connection with painting the improvements or the Premises, other than the initial painting of newly remodeled or newly constructed improvements or boat slips;

(ix) expenditures by Lessee which are reimbursed, in whole or in part, by sublessees, licensees, permittees and/or concessionaires; or,

(x) expenditures by Lessee for additions, replacements, upgrades or modifications to the Buildings or their major systems which either (a) have a useful life of ten (10) years or less, or (b) have a cost (including concurrent expenditures by Lessee for related component parts of systems being added, replaced or upgraded at the same time) of less than ten thousand dollars (\$10,000) adjusted annually by the ENR Index; provided, however, that Director shall have the discretion to approve expenditures of less than ten thousand dollars (\$10,000) adjusted annually by the ENR Index to the extent that such expenditures are proposed to be made in connection with a Permitted Capital Expenditure Plan whose

total costs exceed ten thousand dollars (\$10,000) adjusted annually by the ENR Index.

2.3.2.2. No later than January 31 of each calendar year, Lessee shall provide annual certified written reports satisfactory to County detailing the Permitted Capital Expenditures made by Lessee for the prior calendar year together with Lessee's annual plan for Permitted Capital Expenditures in the then current calendar year (which plan shall be subject to County's written approval). The annual report shall also state the amount of the Accumulation Fund as of the prior December 31st. Lessee shall not make any Permitted Capital Expenditure, or series of related Permitted Capital Expenditures in any calendar year, except to the extent that such Permitted Capital Expenditures are included in Lessee's annual plan approved by County; notwithstanding the foregoing, Lessee may make Permitted Capital Expenditures to respond to unforeseeable events or emergencies in a manner consistent with actions taken and expenditures made by other owners or operators of first class private yacht clubs in similar situations, in which case Lessee shall notify Director immediately of the nature of such expenditure and, within ten (10) days thereafter, of the cost of such expenditure. Such emergency expenditures, if submitted as provided above, shall be subject to the approval of Director. Expenditures not so submitted for Director's approval or expenditures which are disapproved by Director shall be disallowed. In the event that Director provides notice to Lessee that Director has disallowed any such expenditure or has determined that Lessee has expended funds in the Accumulation Fund for a use other than a Permitted Capital Expenditure, then Lessee shall return an amount equal to the amounts so expended or disallowed to the Accumulation Fund within thirty (30) days after notice from Director. To the extent of the Director's disapproval of any expenditure(s) during the previous calendar year totaling, in the aggregate, more than Thirty Thousand Dollars (\$30,000), Lessee may request arbitration pursuant to Section 16 hereof. Lessee shall be limited to a single request for arbitration during any calendar year covering one or more items of Director's disapproval.

2.3.3. Carryover of Expenditures. In the event that Director approves a Permitted Capital Expenditure plan which exhausts the amounts in the Accumulation Fund, together with the current year Accumulation Fund contribution, then, to the extent that Lessee expends additional funds on Permitted Capital Expenditures, Lessee may credit, without interest, an amount not in excess of said additional funds expended against its obligation to make subsequent annual contributions to the Accumulation Fund.

2.3.4. Construction by Lessee. In the event that a Permitted Capital Expenditure project is to be undertaken by Lessee with its own labor and material, then the approved cost therefore shall be determined by a professional estimator in advance (including the allocation between labor and materials) and submitted to the Director. The amount of the approved cost of such labor and material shall be withdrawn from the Accumulation Fund upon completion of the work or upon phases as agreed upon by the Director and Lessee.

2.4. Holdover. In the event that Lessee holds over beyond the Term with the written consent of County, which may be withheld or granted in County's sole and absolute discretion, such holdover shall be from month to month only, shall not be deemed to be a renewal or extension of the Term hereof and shall be at 125% of the monthly minimum and percentage rental provided herein.

2.5. 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 structures, anchorage facilities, Buildings or 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.

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

2.6.1. 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, fixtures or equipment not intended to be permanently affixed, any signage, any personal property or any ornamental fixtures 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.

2.6.2. Duty to Remove. No later than ten (10) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared at Lessee's sole cost and expense 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 (the "Removal Costs") of removing all improvements on the Premises at the expiration of the Term. County may give written notice at any time, no later than five (5) 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 anchorage facilities or at grade and above grade structures, Buildings and 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 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 or hollows. If Lessee has received written notice of County's election to require Lessee to remove improvements hereunder, the Accumulation Fund shall thereafter constitute a fund available for the discharge of Lessee's removal and restoration obligations pursuant to this subsection. To the extent that the amount in the Accumulation Fund is equal to or greater than the Removal Costs, Lessee shall retain the Accumulation Fund, up to the amount of the Removal Costs, for such purpose. To the extent that the amount in the Accumulation Fund is insufficient for such purpose, Lessee shall deposit monthly additions to the

Accumulation Fund in an amount sufficient such that the amount in the Accumulation Fund shall equal the Removal Costs by no later than five (5) years prior to the expiration of the Term. The amount to be deposited into the Accumulation Fund shall be recalculated on an annual basis to reflect the increase, if any, in the ENR Index over the ENR Index as of the date of cost estimation set forth in the expert report.

2.6.3. 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.

2.6.4. Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease, Lessee shall in any event remove at its cost and expense such equipment and appliances 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 appliances or fixtures 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 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 in excess of any consideration received by County as a result of said sale, removal or demolition.

2.6.5. 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. Notwithstanding the foregoing sentence, such utility lines, transformer vaults and all other utility facilities, shall be maintained, repaired, and replaced, if and as needed, by Lessee during the Term, which replacement shall be a Permitted Capital Expenditure.

3. USE OF PREMISES.

3.1. Specific Primary Use. The Premises shall be used by Lessee for the operation and management of a yacht club, anchorage and related uses (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. Yacht Club Use. It is agreed and acknowledged by County and Lessee that a primary purpose of the Del Rey Yacht Club is to provide for a continuing and ongoing program in boating instruction and safety and to contribute to the pleasure of private boat ownership by participation in yachting regattas and similar competitive events. To that end, Lessee agrees and covenants to undertake and carry on and participate in those activities set forth on Exhibit D attached hereto, or such substitute activities as may be hereafter approved by Director.

3.3. Prohibited Uses. Notwithstanding the foregoing:

3.3.1. 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 detrimental nor shall any similar activity be permitted on any other portion of the Premises or on any adjacent public street or adjacent property.

3.3.2. 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:

3.3.2.1. The Premises shall not be used or developed in any way which is inconsistent with any applicable governmental or public agency requirements;

3.3.2.2. 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;

3.3.2.3. 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 operation and management of all other first class yacht clubs and anchorages located in Marina Del Rey, from time to time;

3.3.2.4. 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 those employees working at or persons patronizing the Premises;

3.3.2.5. Without the prior written 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, however, that such antennae or devices as are installed on the Premises as of the Execution Date and are identified in writing to Director prior to the Execution Date shall be reasonably approved by Director;

3.3.2.6. 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 as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease; and,

3.3.2.7. 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.

3.3.2.8. It is also expressly understood that the Permitted Uses do not include the following: fuel sales, boat or vehicular repair (other than minor servicing or owner maintenance), live bait sales, commercial sportfishing or commercial tour boats. Facilities for storage and handling of dinghies, small skiffs and other craft in place at the Execution Date are permitted and additional facilities may be permitted upon approval in writing by Director.

3.4. Active Public Use. The parties acknowledge that the ultimate objective of this Lease is the complete and continuous use of the Premises by and for the benefit of the public, consistent with a use as a private yacht club, 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 toward the end that the public may enjoy maximum benefits from the Premises 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 and consistent with a non-profit first class yacht club and anchorage facility located in Marina del Rey.

3.5. Days of Operation. The Premises shall be open every day of the year, other than those holidays reasonably designated by Lessee and approved by Director. Any changes in the days and/or hours of operation shall be subject to the written approval of County.

3.6. Signs and Awnings. Any and all art, displays, identifications, monuments, awnings and advertising signs (other than temporary 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, 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; provided, however, that such art, displays, identifications, monuments, awnings and advertising signs as are installed on the Premises as of the Execution Date and have been approved by Director prior to the Execution Date shall be continue to be approved.

3.7. 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.

3.8. Rules and Regulations. Lessee agrees to comply with such other rules and regulations governing the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability to (i) commercial properties, (ii) parking facilities and (iii) other operations conducted on the Premises and delivered in writing to Lessee, provided that such rules and regulations are generally applicable to any first class yacht club and anchorage facility in Marina del Rey.

3.9. Reservations. Lessor and Lessee expressly agree 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 Original Lease or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all matters of record and any existing right of County or City that has been exercised, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks (abutting to the Premises), fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements in, across or on the Premises, together with the right of County or the City of Los Angeles to transfer such rights to others.

4. PAYMENTS TO COUNTY.

4.1. Net Lease. The parties acknowledge that the payments to be made by Lessee under this Lease are 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 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 extension of the Term provided herein.

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 may also be subject to possessory interest taxes, and that the Sublessee shall be responsible for any and all possessory interest taxes on the Sublessee's interest; however, Lessee acknowledges that the payment of such possessory interest taxes is the ultimate responsibility of Lessee.

4.2. Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County a monthly amount equal to the greater of (a) Monthly Minimum Rent or (b) Percentage Rent. County and Lessee acknowledge that certain rental payments required under the Original Lease remain subject to County verification and audit; notwithstanding the foregoing, failure by Lessee to pay, within thirty (30) days after receipt of written notice from County, any deficiencies under the Original Lease identified by County, together with interest at the Applicable Rate from the date which is five (5) business days after the date of notification, shall constitute an Event of Default hereunder.

4.2.1. Annual Minimum Rent and Monthly Minimum Rent. As more specifically provided herein, the minimum rent payable to County during each year of the Term ("Annual Minimum Rent") shall be the sum of Three Hundred Thousand] Dollars (\$300,000.). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis. "Monthly Minimum Rent" shall be computed by dividing Annual Minimum Rent by twelve (12). As of the date hereof Monthly Minimum Rent shall be sum of Twenty Five Thousand (\$25,000) per month.

4.2.2. Percentage Rent. For the purposes of this Lease, from and after the first day of the month in which the Execution Date occurs, "Percentage Rent" for any given month or year shall be defined as the sum of the amounts set forth in this Section; percentage rents from March 1, 1993 until the last day of the month preceding the month in which the Execution Date occurs shall be the rents actually paid or payable under the terms of Lease Amendment No. 10 dated September 13, 1983 to the Original Lease as further interpreted by Policy Statements dated November 25, 1987 and September 11, 1991 without the July 1, 1999 adjustment. Unless specifically exempted herein, all Gross Receipts (as defined herein) from each and every 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 monthly installment of minimum rent paid for said previous month as provided herein:

(a) **TWENTY SEVEN PERCENT (27%)** of Gross Receipts from the rental or other fees charged for the use of boat slips, anchorages, moorings, dockside storage space, liveboards and such other facilities and services ancillary to all such uses as are provided in common to all users of such facilities; provided, however, that for the fiscal year ending June 30, 2000, Lessee's Gross Receipts from the aforementioned uses shall be deemed to be ten dollars and sixty-one cents (\$10.61) per lineal foot of anchorage per month;

Certain Percentage Rental Adjustments. Notwithstanding the Fair Market Rental Value (as defined hereafter) on each Renegotiation Date (as defined hereafter) or anything to the contrary contained herein, the Percentage Rent applicable to Lessee's Gross Receipts set forth above shall be adjusted as of the following dates to the following amounts:

July 1, 2003:	TWENTY EIGHT PERCENT (28%)
July 1, 2008:	TWENTY NINE PERCENT (29%)
July 1, 2013:	THIRTY PERCENT (30%)
July 1, 2018:	THIRTY ONE PERCENT (31%)
July 1, 2023:	THIRTY TWO PERCENT (32%)
July 1, 2028:	THIRTY THREE PERCENT (33%)

Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Lease, if, as of each Renegotiation Date beginning with July 1, 2008, the actual Weighted Average percentage of rent (computed to the nearest one tenth of one percent) payable to County with respect to the Comparable Slip Leaseholds (as defined hereafter) exceeds the figures set forth above, the Percentage Rent set forth in subsection 4.2.2(a) shall be adjusted to such higher Weighted Average percentage. Further, if as of July 1, 2033, the actual Weighted Average percentage rent payable to County with respect to the Comparable Slip Leaseholds (computed to the nearest one tenth of one percent) is less than thirty three percent (33%), the Percentage Rent set forth in subsection 4.2.2(a) shall be reduced to such Weighted Average percentage rent for the Comparable Slip

Leaseholds, but shall in no event be reduced to an amount lower than thirty percent (30%).

(b) **TWENTY-SEVEN PERCENT (27%) of Gross Receipts from the rental or other fees charged for the use of dry storage facilities and dockside gear lockers;**

(c) **SEVEN AND ONE-HALF PERCENT (7.5%) of Gross Receipts or other fees charged for the occupancy of structures and other facilities including but not limited to (1) apartments, (2) hotel and/or motel accommodations, (3) house trailers, (4) meeting rooms, (5) rental of land and/or water or facilities for activities not otherwise provided for in this section such as but not limited to television and/or motion pictures, (6) 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 SEVEN AND ONE-HALF PERCENT (7.5%), and (7) offices utilized for banking, financial or investment activities, internal clerical or administrative activities, business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, or similar services, but not to include, however, 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;**

(d) **___ PERCENT (__%) of Gross Receipts from the sale of new or used boats, boat trailers, house trailers and trailer cabanas including credits for used items taken in trade as part payment for new items, as reflected in the bill of sale. However, the trade-in allowance for such used item taken in trade may be deducted from the sale price of said used item, provided said used item is sold within one hundred twenty (120) days of the date of the bill of sale which established said trade-in allowance;**

(e) **___ PERCENT (__%) 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, telephone service charges, 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) _____ PERCENT (___ %) of Gross Receipts received by Lessee or sublessee or _____ PERCENT (___ %) of any commissions or fees collected by Lessee from service enterprises;

(g) [Intentionally Deleted]

(h) FIVE PERCENT (5%) of Gross Receipts received by Lessee or sublessee or TWENTY-FIVE PERCENT (25%) of any commissions or other fees collected for the installation and/or operation of coin-operated vending or service machines including pay telephones;

(i) _____ PERCENT (___ %) 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 (3.5%) 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);

(k) TWENTY TWO PERCENT (22%) of Gross Receipts from the rental or other fees charged for the use of landside gear lockers;

(l) [Intentionally Deleted]

(m) FIFTEEN PERCENT (15%) of Gross Receipts from club dues, initiation fees, and assessments, subject to the exclusion provided in subsection 4.2.2.3(4)(f) and additionally subject to the provisions of subsection (t) of this subsection.

(n) ___ PERCENT (___ %) of Gross Receipts or other fees charged from the operation of sightseeing boats, tour boats or water taxis;

(o) ___ PERCENT (___ %) of Gross Receipts from the operation of a cable television facility under a franchise granted by the County of Los Angeles;

(p) ___ PERCENT (_ %) of Gross Receipts or other fees charged by authorized boat repair yards, including repair, painting, tugboat, salvage and boat pump-out services and similar activities, except that where parts and materials are separately invoiced, they may be reported under Subsection (s) of this Section;

(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) ___ PERCENT (_ %) of Gross Receipts from parking fees except as provided for in Subsection (c);

(s) FIVE PERCENT (5%) of Gross Receipts from the sale of miscellaneous goods and services not specifically provided for elsewhere in this Section;

(t) Notwithstanding the foregoing, and notwithstanding the provisions of subsection (m) of this subsection 4.2.2, the percentage of Gross Receipts payable from club dues, initiation fees, and assessments shall be TEN PERCENT (10%) for so long as Lessee is in compliance with its "Public Service Plan". The initial "Public Service Plan" is attached as Exhibit E hereto. For the purposes of this subsection, compliance with its "Public Service Plan" each year shall mean, for any calendar year or portion thereof, that (1) Lessee has submitted to Director no later than January 15 of such year, and Director has approved, satisfactory evidence and written certification that Lessee has complied with and has fully implemented its Public Service Plan, as approved by Director, for the prior calendar year and has expended in the prior calendar year an amount no less than five percent (5%) of Gross Receipts payable from club dues, initiation fees, and assessments toward public service programs and expenditures which have been approved by Director and (2) such Plan shall set forth in detail Lessee's plans, arrangements and intention to comply with the provisions of this subsection for the next calendar year, together with Lessee's proposed expenditures of no less than five percent (5%) of Gross Receipts payable from club dues, initiation fees, and assessments toward public service programs in that calendar year, to the extent that Lessee desires to avail itself of the percentage rent reduction in this subsection 4.2.2(t). Only costs related to activities listed and identified as allowable costs on Exhibit

E shall be eligible for meeting said 5% requirement. In the event that Director disapproves Lessee's Public Service Plan or otherwise determines that Lessee is not in compliance with the requirements of its Public Service Plan, or Lessee fails to provide Director with adequate documentation evidencing Lessee's expenditures or compliance with the prior year's Public Service Plan, which failure is not remedied within thirty (30) days after written notice from Director to Lessee, the percentage rent applicable to the foregoing income category shall be increased by FIVE PERCENT (5%) (i.e. from ten percent (10%) to fifteen percent (15%) of Gross Receipts from club dues, initiation fees and assessments) from and after the first day of the first month after the date upon which Director determines Lessee was no longer in compliance with its Public Service Plan until compliance is reestablished to the satisfaction of Director. Nevertheless, Lessee's failure to comply with the requirements of its Public Service Plan shall not constitute an Event of Default hereunder. In the event Director disapproves Lessee's Public Service Plan for any reason or otherwise determines that Lessee is not in compliance with the requirements of its Public Service Plan, and Lessee disputes the position of Director, then Director and Lessee shall meet and confer within thirty (30) days of Lessee's receipt of notice of same in an attempt to resolve the dispute. If Director and Lessee cannot resolve the dispute, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease. The standard to be used to determine if a Public Service Plan is acceptable shall be based on the Public Service Plan attached as Exhibit E hereto.

(u) The specific percentages set forth above apply to those Permitted Uses of the Premises which are applicable as of the Execution Date. Where a specific percentage in the foregoing schedule has not been provided, then, concurrent with County or Director's approval of a specific additional or related use, Director shall establish the specific percentage to be applied to such additional or related use. Such percentage shall be the greater of (1) the Weighted Average percentage of rent 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 by County, 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 by Director shall remain in effect until the next Renegotiation Date.

4.2.2.1. If Director or Lessee 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 15 of this Lease.

4.2.2.3. Gross Receipts. Except as herein otherwise provided, the term "Gross Receipts" as used in this Lease means, for each Fiscal Year, the higher of (a) all "gross receipts" collected by Lessee and subsequently reported to County (as verified by County), without offset, with respect to the Percentage Rent categories set forth in this subsection 4.2.2(b), (j) and (m), during the twelve month period ending June 30, 1999 (which amounts, subject to verification by the County, are \$27,964 for subsection 4.2.2(b), \$489,596 for subsection 4.2.2(j) and \$547,828 for subsection 4.2.2(m)) increased each July 1 by the increase, if any, in the Consumer Price Index from the previous July 1 (or, in the event of the July 1, 2000 adjustment, the increase in the Consumer Price Index from July 1, 1999) or (b) 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, collected 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. The imputed Gross Receipts described in (a) above may be prorated for Subsection 4.2.2(j)

categories only for any reporting period to the extent that Lessee is not conducting such activities during such reporting period which would generate Gross Receipts in the relevant reporting category, provided that Lessee provides a prior written notice to County each month as to such categories in which Lessee is not conducting activities. Lessee acknowledges that "Gross Receipts" includes, without limitation, credits provided by Lessee to users of the yacht club boat slips, such as utility credits, and the value of allowances, services and labor provided to such boat slip users which have the effect of reducing the rental fees payable by such users.

(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, collection costs, discounts from credit card operations, insurance and taxes except as set forth in (4)(f) below.

(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 Lessee's 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 incurred by Lessee, Sublessees, assignees, licensees, lessees and permittees may be deducted from Gross Receipts to the extent that the amounts have been previously reported as Gross Receipts; however, notwithstanding anything to the contrary contained herein, there shall be no accrual of, or deduction for, bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts 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;

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. monthly and annual fees collected from members and applied toward each of (i) the principal payments made on Lessee's financing existing on the Execution Date, (ii) the Extension Payment (and interest thereon) described in subsection 2.2 and (iii) the Accumulation Fund deposits, provided that Director shall be provided with a schedule reflecting the amounts of the foregoing along with sufficient documentation to evidence Lessee's entitlement to such deduction;

g. the Cost of Lessee's slip tenants' submetered electricity, provided (1) each slip tenant's obligation to reimburse Lessee for such tenant's electrical charges is separate and apart from such tenant's obligation to pay rent for its boat slip; (2) the reimbursed sum is in an

amount equal to the Cost of the slip tenant's electricity; and, (3) the receipt is actually credited against the cost of the slip tenant's electricity. For the purpose of the foregoing sentence, the "Cost" of the slip tenant'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 slip tenant based on such slip tenant'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; and,

h. reimbursements collected by Lessee from slip tenants for cable, satellite television or other broadband communications installation or service, provided (1) each slip tenant's obligation to reimburse Lessee for such charges is separate and apart from such tenant's obligation to pay rent for its boat slip; (2) the reimbursed sum is in an amount equal to the actual cost of the service provided to the slip tenant; and, (3) the receipt is actually credited against the cost of the slip tenant's cable television installation or service.

i. amounts billed to Lessee's members, no part of which is retained by Lessee, which are utilized for charitable contributions made by Lessee to Recreational Boaters of California and to Santa Monica Bay Sailing Association, or their successor entities, or as may be approved by the Director which are not part of Lessee's Public Service Plan.

4.2.2.4. Excess Payments Credit. If the total of the Annual Minimum Rent and Percentage Rent payments actually made by Lessee to County in a particular Lease Year exceed the total Percentage Rent 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 ninety (90) 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 (7) of Subsection (c) 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 (3) 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.

4.3. Adjustments to Annual Minimum Rent. As of July 1, 2001 and as of each third anniversary of said date thereafter (each an "Adjustment Date" and collectively the "Adjustment Dates"), the Annual Minimum Rent shall be adjusted to the amount which equals seventy five percent (75%) of the average of the scheduled total annual rent due (including Monthly Minimum Rent and/or Percentage Rent) from Lessee to County under Section 4.2 of this Lease during the thirty six (36) month period immediately preceding the Adjustment Date.

4.4. Renegotiation of Insurance and Percentage Rents. Effective July 1, 2003 and each fifth anniversary thereafter (each a "Renegotiation Date" and collectively, the "Renegotiation Dates"), the Percentage Rents shall be readjusted to the greater of (i) the percentages set forth in subsection 4.2.2 or otherwise established by Director pursuant to subsection 4.2.2(u) or (ii) their Fair Market Rental Value (as defined below) as of such Renegotiation Date. Additionally, the insurance levels set forth in Article 9 hereof shall be adjusted as of each Renegotiation Date. Notwithstanding the foregoing, as of each Renegotiation Date, the renegotiation of Percentage Rent pursuant to subsection 4.2.2(a) shall be governed by subsection 4.2.2(a) hereof, except as provided in Section 15.1.

4.4.1. Fair Market Rental Value. Except as specifically provided herein, "Fair Market Rental Value" shall mean, for each of the respective subcategories of Gross Receipts enumerated in subsection 4.2.2(b) through (t), the Marina del Rey Average Percentage Rent for such subcategories. For the purposes of this Lease, "Marina del Rey Average Percentage Rent" shall mean the Weighted Average of the respective percentages of gross receipts, calculated to the nearest one tenth of one percent (.1%), for each of the respective subcategories enumerated in subsection 4.2.2(b) through (t) which were payable by all lessees in Marina del Rey who had reported collecting gross receipts in the respective subcategory during the twelve month period prior to each Renegotiation Date. Notwithstanding the foregoing, the Marina del Rey Average Percentage Rent with respect to subcategory 4.2.2(t) (club dues) shall be deemed to be the Weighted Average of the percentage applied to gross receipts in that subcategory by all yacht clubs in Marina del Rey which are complying with a public service program which provides a five percent (5%) discount on percentage rent (e.g. from 15% to 10% of Gross Receipts) and which report gross receipts in that subcategory as of each Renegotiation Date; in the event no such yacht clubs receive such a discount, then the Marina del Rey Average Percentage Rent with respect to subcategory 4.2.2(t) (club dues) shall be deemed to be five percent (5%) less than the Weighted Average of the percentage applied to gross receipts in that subcategory by all yacht clubs in Marina del Rey.

4.4.2. Renegotiation Period. Not more than six (6) months following prior to the Renegotiation Date, County shall deliver to Lessee written notice of its computation of Fair Market Rental Value, together with the data (including the Marina del Rey Average Percentage Rent for each

Gross Receipts) County has utilized in its computation, and Lessee shall have fifteen (15) business days to deliver to County written notice of Lessee's agreement or disagreement with County's determination. The notice to Lessee shall conspicuously state that, if Lessee fails to deliver notice of such disagreement, then County's determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.

4.4.2.1. Comparable Slip Leaseholds. The parties agree and acknowledge that the following ("Comparable Slip Leaseholds") have fair market rental and expense levels generally comparable to the fair market slip rentals on the Premises:

Marina del Rey parcels 7, 8, 10, 12, 13, 15, 18, 20, 21, 28, 41, 42/43, 44, 47, 111, 112, 125I and 132 (parcels excluded from comparison are 1, 33, 48, 53, 54, 55, 56, 65 and 77).

The Parties agree upon the linear footages set forth on Exhibit "C" for the Comparable Slip Leaseholds and the Premises. The Parties agree that, as of each July 1 and for the twelve month period thereafter, Lessee's minimum monthly Gross Receipts per linear slip foot in the percentage rent category set forth in subsection 4.2.2(a) shall be deemed to be the higher of (i) one hundred twenty percent (120%) of the then most recent calendar year "Average Monthly Gross Receipts" (which shall mean, in each case, the annual gross receipts divided by twelve (12)) per linear slip foot for the Comparable Slip Leaseholds in that percentage rent category (computed by dividing the Comparable Slip Leaseholds' total Average Monthly Gross Receipts in said percentage rent category by the Comparable Slip Leaseholds' total linear feet of anchorage, and multiplying the result by 1.2), and (ii) the sum of (x) the Average Monthly Gross Receipts per linear slip foot for the third highest of the Comparable Slip Leaseholds and (y) eighty percent (80%) of the difference in Average Monthly Gross Receipts per linear slip foot between the third highest of the Comparable Slip Leaseholds and the second highest of the Comparable Slip Leaseholds for the most recent calendar year.

Example: assuming, for a given calendar year, that the Comparable Slip Leaseholds have averaged nine dollars (\$9.00) per linear foot per month, while the third highest of the Comparable Slip Leaseholds averaged ten dollars (\$10.00) per linear foot per month and the

second highest of the Comparable Slip Leaseholds averaged twelve dollars (\$12.00) per linear foot per month; then, as of the next July 1 and for the twelve month period thereafter, Lessee's minimum monthly Gross Receipts per linear foot per month for the purposes of subsection 4.2.2 (a) shall be deemed to be the highest of (i) ten dollars and eighty cents (\$10.80) ($\$9.00 \times 120\%$), and (iii) eleven dollars and sixty cents ($\$10.00 + 80\% \times \2.00).

Notwithstanding the foregoing, Lessee and County acknowledge that, as of the Execution Date and through July 1, 2000, Lessee's minimum monthly Gross Receipts in the percentage rent category set forth in subsection 4.2.2(a) hereof shall be ten dollars and sixty one cents (\$10.61) per lineal foot of anchorage.

4.4.2.2. Slips Actual Gross Receipts. Since Lessee is obligated to pay Percentage Rent based on the minimum Gross Receipts calculation provided herein, no additional Percentage Rent may be charged for the slips based on actual Gross Receipts charged and collected pursuant to any formula established by Lessee unless the aggregate amount of the actual Gross Receipts for an accounting period is in excess of the minimum Gross Receipts established herein. So long as the aggregate actual Gross Receipts is less than the established minimum Gross Receipts, Lessee may establish a fee schedule for the slips based on boat size rather than slip size and Lessee will not incur any Percentage Rent payment obligation as a result.

4.4.3. Negotiation of Fair Market Rental Value. If Lessee notifies County of its disagreement as provided in subsection 4.4.2, County and Lessee shall have sixty (60) days from the end of the notification period in which to agree upon the Fair Market Rental Value for the applicable Percentage Rent categories. 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. 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 pay to County Annual Minimum Rent and Percentage Rent at the level existing for the month prior to the Renegotiation Date.

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 and the applicable adjustment to the Percentage Rent attributable to the Premises as determined by arbitration. The purpose of the arbitration shall be to determine whether County has accurately computed the Fair Market Rental Value (or Marina del Rey Average Percentage Rent, as appropriate) for each of the Percentage Rent categories in dispute.

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 Fair Market Rental Value, 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. At the request of County, Lessee shall use its best efforts to cause any lender or Encumbrance Holder to consent in writing to the terms of such amendment. In the event that such amendment is executed after the Renegotiation Date, then, within seven (7) days after such execution Lessee shall pay to County, or County may at its election pay or 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/or 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 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 average prime rate

of interest published in the Wall Street Journal (the "Prime Rate") plus three percent (3%) for the period between the date which is six (6) months after the Renegotiation Date and the date of payment.

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; if the County offices are closed on Friday, such payment will be due on the next business day; if the envelope containing the payment is mailed and postmarked one day or any earlier date before the due date, it shall be deemed received on the due date. 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. A report, satisfactory to the Director, detailing the Gross Receipts for each category of Percentage Rent and the calculation of Percentage Rent thereon, shall be submitted to County on or before the fifteenth day of each calendar month of the term for the previous month. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand. In the event any payment is not received by County on or before 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, however, that no more than once in any lease year the six percent (6%) late fee shall not be due to County if Lessee pays to County the unpaid amount within one (1) business day after receipt of notice from County

that there is an unpaid amount past due. Any unpaid rent due shall additionally bear interest at the Applicable Rate 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).

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 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 or in any Major Sublease, (b) Lessee's granting of a Major Sublease or (c) any transaction or series of related transactions which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in, or a Change of Control of, Lessee, this Lease or a Major Sublease. For the purposes of this Lease, "Change of Control" shall refer to a transaction whereby the transferee acquires a beneficial interest in Lessee, this Lease or a Major Sublease which brings its cumulative beneficial interest in Lessee, this Lease or a Major Sublease, 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 shall not be deemed to create an obligation to pay County an Administrative Charge or a Net Proceeds Share:

4.6.2.1. normal, periodic individual transfers and turnover of memberships in a nonprofit yacht club, whether or not such individual

transfers in the aggregate constitute a fifty percent (50%) interest in Lessee; notwithstanding the foregoing, this exclusion shall not apply to a transfer or series of related transfers of the beneficial interest membership interests to the same transferee;

4.6.2.2. a transfer to a spouse in connection with a property settlement agreement or decree of dissolution of marriage or legal separation, or a transfer directly to a spouse, sibling or descendant; provided, however, that County shall at all times have the right to approve of any change in the management of the Premises following such a transfer;

4.6.2.3. a transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation whose stock is traded publicly on a national stock exchange or is traded in the over-the-counter market and whose price is regularly quoted in recognized national quotation services; provided, however, that this exclusion shall not apply to a single transaction or series of related transactions whereby fifty percent (50%) or more of the beneficial interests in such entity are transferred, or which otherwise effects a Change of Control in such entity;

4.6.2.4. a mere change in the form, method or status of ownership (other than a transfer of beneficial interests between or among individuals and/or entities controlled by such individuals); provided that this exclusion shall not apply to a single transaction or series of related transactions whereby an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in Lessee, this Lease or a Major Sublease has occurred;

4.6.2.5. any transfer of the entire interest in the Lease to a transferee where at least fifty percent (50%) of the beneficial interests in the transferee are owned by the transferor; provided, however, the parties acknowledge that (1) County shall at all times have the right to approve of any change in the management of the Premises following such a transfer, and (2) a subsequent dilution or transfer of said interest or any part thereof shall be subject to County approval and fees as provided herein;

4.6.2.6. any transfer resulting from a Condemnation by County; or

4.6.2.7. a transfer directly to any trust, by way of gift, devise, intestate succession or operation of law, where the transferee trust's interest in the Premises or the entity owning the Premises (directly or indirectly) is substantially the same as the interest of the transferor and the beneficiaries of said trust are members of the transferor's immediate family (which for the purposes of this subsection shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), together with the subsequent transfer of such interests to such beneficiaries upon the death of the transferor; provided, however, the parties acknowledge (a) that a subsequent dilution or transfer of said interests shall be subject to County approval and fees as provided herein, and (b) County shall have at all times the right to approve any change in the operations or building or asset management of the Premises in connection with such a transfer;

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, this Lease or a Major Sublease, as appropriate) transferred in all transactions (other than those enumerated in subsection 4.6.2) occurring since the later of (a) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (b) the most recent Change of Ownership upon which an Administrative Charge was paid to County.

4.6.4. Beneficial Interest. As used in this Lease, the "beneficial interest," "beneficial interest in this Lease," or "beneficial interest in a Major Sublease" shall refer to the interests of the natural persons who comprise the ultimate owner or owners of the respective interest in this Lease (or a Major Sublease, whichever is appropriate), regardless of the form of such ownership and regardless of whether such interests are owned or held through corporations, trusts, partnerships, limited liability companies or layers thereof; provided, however, that if an entity is a partnership, corporation or limited liability entity (a) whose beneficial interest in this Lease or a Major Sublease, whichever is appropriate, comprises less than fifteen percent (15%) of its total assets or (b) in which no ten (10) shareholders, partners or members together own more than thirty percent

(30%) of the partnership interests, shares, membership interests or other equity interests in the entity, then for the purposes of Sections 4.6 through 4.8 hereof, the entity itself shall be deemed to be the ultimate owner of the beneficial interest and the individual owners of interests in the entity shall not be treated as the ultimate owners of such beneficial interest.

For example, if 25% tenant in common interests in the Lease are held, respectively, by an individual A, corporation B (which is owned 80% by A and 20% by others), limited liability company C (in which neither A nor B hold any interest) and corporation D (a publicly traded corporation in which A holds shares, but with numerous other shareholders, no concentration of ownership and in which the interest in the Lease comprises less than 15% of its total assets, then: the total beneficial interest held by A is equal to 25% (the individual interest) + 20% (80% of corporation B's interest), or 45%, with no additional beneficial interest imputed to A on account of the indirect interest held through corporation D.

4.6.4.1. Interests Held By Entities. Except as otherwise provided herein and subject to the foregoing Section, 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 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, 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 and any 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) 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, 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 fifteen (15) 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 monetary disputes such as 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, which 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 later of (a) the date of the execution of this Lease (or a Major Sublease) by Lessee, (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. Notwithstanding anything to the contrary contained herein, the transfer of individual memberships pursuant to normal periodic turnover of yacht club membership shall not constitute a Change of Ownership for purposes hereof.

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.

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.

4.8. Net Proceeds Share. In the event of a Change of Ownership, the Net

Proceeds Share shall be a sum equal to the greater of (a) five percent (5%) of the gross sale or transfer proceeds or other consideration given for the interests transferred, or (b) twenty five percent (25%) of the Net Transfer Proceeds from such transfer. With respect to a Financing Event, the Net Proceeds Share (if any) shall be equal to twenty five percent (25%) of the Net Refinancing Proceeds from such Financing Event.

4.8.1. Transaction by Original Lessee. In the case of a transfer by Lessee (but not a successor or assignee of Lessee) constituting a Change of Ownership, "Net Transfer Proceeds" shall mean the total cash and other consideration received (but in the case of a transfer to a party affiliated with or otherwise related to the transferor, such consideration shall in no event be deemed to be less than the fair value of the interests transferred), less the following costs with respect to Lessee (but not its successors or assignees):

4.8.1.1. County's appraisal of the fair market value of the leasehold interest in the Premises (based on the terms and conditions of this Lease), with improvements thereon, as of the date that is within sixty (60) days prior to the Execution Date ("1999 Value"), together with the final actual construction costs paid by Lessee in connection with the construction of Permitted Capital Expenditures to or on the Premises, which costs shall be submitted to County within thirty (30) days after the completion of such Permitted Capital Expenditures and which costs ("Improvement Costs") shall be approved in writing by County.

4.8.1.2. Commissions, title and escrow costs, and other bona fide closing costs actually paid to third parties and documented to the 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").

4.8.2. 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 total cash and other consideration received by that successor Lessee (but in the case of a transfer to a party affiliated with or otherwise related to the transferor, such consideration shall in no event be deemed to be less

than the fair value of the interests transferred), minus the following costs with respect to such successor Lessee:

4.8.2.1. The purchase price such successor paid to Lessee or such successor's seller for the interest acquired;

4.8.2.2. Improvement Costs actually paid by such successor Lessee, provided that such costs have been submitted to and approved by County to the extent provided in subsection 4.8.1.1 with respect to Lessee; 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 and 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 not described in subsections 4.8.1 through 4.8.3 (i.e., 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 1999 Value and Improvement Costs in determining Net Transfer Proceeds and Net Proceeds Share, the cost to the transferor of the interest being transferred (which shall in no event be deemed to be less than the fair market value of the interest based on the 1999 Value) shall be deducted. For example, if a transfer creates the obligation to pay Net Proceeds Share where the transferor acquired the interest in the Lease for one hundred thousand dollars (\$100,000) and subsequently sold it for two hundred thousand dollars (\$200,000), the Net Proceeds Share payable would be the greater of ten thousand dollars (\$10,000, or 5% of \$200,000) or twenty five thousand dollars (\$25,000, or 25% of \$100,000), regardless of the Improvement Costs incurred by Lessee. 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 such Net Proceeds Share, as if it had been realized by Lessee upon a

transfer of a comparable interest in this Lease or in a Major Sublease, as appropriate. Thus, in the foregoing example, following the transfer, Lessee's Improvement Costs would be increased by one hundred thousand dollars (\$100,000).

4.8.5. Net Refinancing Proceeds. "Net Refinancing Proceeds" shall mean the gross principal amount of any Financing Event after the Execution Date, minus (i) the greater of (a) the 1999 Value or (b) the principal amount of Lessee's existing financing as of the Execution Date, together with any portion of the proceeds of the Financing Event which shall be used for Improvement Costs, (ii) other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event and (iii) Documented Transaction Costs with respect to such Financing Event.

4.8.6. Effect of Refinancing on Improvement Costs. Upon payment to County of a Net Proceeds Share in connection with a Financing Event, then the Improvement Costs incurred by Lessee prior to such Financing Event shall be increased by the amount of Net Refinancing Proceeds derived from such Financing Event and the Documented Transaction Costs incurred with respect thereto and shall be in addition to Improvement Costs incurred by Lessee prior to such Financing Event.

4.8.7. 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 subsection 4.6.2. 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.

4.8.8. Payment. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such fees 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. 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, with any disputes regarding such fair market value to be resolved as set forth in Section 4.7. Notwithstanding the foregoing, in the case of a Change of Ownership in connection with Lessee's granting of a Major Sublease, 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).

4.8.9. Shareholder, Partner, Member, Trustee and Beneficiary List.

Prior to the Execution 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 make available to County an updated schedule listing the names and mailing addresses of all shareholders, partners, members and other holders of equity interests in Lessee. 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 its constituent shareholders, partners, members or other interest holders, this Lease or a Major Sublease.

5. CONSTRUCTION OF IMPROVEMENTS AND CAPITAL EXPENDITURES.

5.1. Plan Submittal Schedule: County Approval. Lessee agrees that it will not undertake the renovation, alteration, modification or construction of any

improvements, including Permitted Capital Expenditures (collectively, "Improvements") on or about the Premises, other than ordinary and necessary periodic repair and maintenance, and interior non-structural improvements (with no impact on the building footprint, the building exterior or common areas) without first preparing and filing for Director's review and approval plans and specifications, construction schedules and construction cost estimates. If any submittal required hereunder is not approved by Director upon the initial submittal, then Director shall describe generally in writing the reason for such disapproval. Lessee will then have the right to resubmit to Director for approval a revised submittal within thirty (30) days after notice of the disapproval of the initial submission. Any plans and specifications submitted hereunder shall conform to the standards generally accepted in the architectural, engineering and construction professions in southern California at the time of such submission.

5.2. 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 any and all Improvements to be constructed, altered or modified on the Premises. Such plans shall, among other things, clearly delineate the architectural theme of the Improvements and shall identify and illustrate the boundaries of the Premises and all 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's compliance with this Lease and particularly Section 5.1 hereof. 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 Approved Final Plans, Specifications and Costs), as defined herein) by Director, if changes in such plans are required by conditions of approval of the Improvements 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 the changes required by the California Coastal Commission or other governmental agency, as appropriate.

5.3. Preliminary Plans and Specifications. As soon as practicable, but in no event later than thirty (30) days after Director's approval of the materials submitted pursuant to the previous paragraph, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost

estimates for the Improvements set forth therein. 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 material 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 on the grounds that they do not reflect a natural evolution from the approved schematic plans or that they materially differ from the approved schematic plans and narrative. 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, 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 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); 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 SECTION 5.3 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL 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."

5.4. Final Plans and Specifications. As soon as practicable, but in no event later than sixty (60) days after approval of the preliminary plans (or when and to the extent appropriate, no later than sixty (60) days after final approval is obtained from the California Coastal Commission as to items either requiring California Coastal Commission approval or whose construction would be materially

adversely restricted or changed if California Coastal Commission approval were not obtained for a related item), outline specifications and construction cost estimate, Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost statement for all Improvements to be constructed, altered or modified by Lessee on the Premises, 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 material difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved preliminary plans and specifications shall be separately identified and described.

5.5. Conditions Precedent to the Commencement of Construction. No construction, alteration or modification by Lessee of any improvements requiring a building permit on the Premises shall be commenced until each and all of the following conditions have been satisfied:

5.5.1. Approval of Final Plans and Specifications. The final plans, detailed construction specifications and construction cost statement described in Section 5.4 have been approved by Director ("Approved Final Plans, Specifications and Costs"). Director shall have twenty one (21) days within which to approve or disapprove such submission, and Director may disapprove such submission on the grounds that they do not reflect a natural evolution from or that they materially differ from the preliminary plans, outline specifications and construction cost estimates. Failure of Director to disapprove said 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, detailed construction specifications and construction cost statement contain substantial changes from the preliminary plans, outline specifications and construction cost estimates, 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 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); 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 SECTION 5.5.1 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL 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."

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. No material modification shall be made to the Improvements described in the Approved Final Plans, Specifications and Costs without the prior written approval of Director, which shall not be unreasonably withheld.

5.5.2. Permits and Other Approvals. Lessee shall have received and furnished County with copies of all permits, licenses and other governmental approvals necessary to construct the Improvements described in the Approved Final Plans, Specifications and Costs. For so long as Lessee intends to construct the Improvements, Lessee agrees to apply for all such permits, licenses and other governmental approvals at the earliest commercially reasonable time and thereafter shall use its best efforts (which shall be deemed to include expenditures of funds, including without limitation application fees, travel, architectural, consulting and lobbying fees, as reasonably necessary to expedite the permit, license or other approval process) to procure such permits, licenses and other approvals at the earliest possible time.

5.5.3. 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 Improvements described in the Approved Final Plans, Specifications and Costs.

5.5.4. Performance and Payment Bonds. Lessee shall, at its own cost and expense, whenever it employs a general contractor or subcontractor for the purpose of constructing Improvements, or whenever it constructs Improvements costing greater than the amount of the Accumulation Fund at the time without a general contractor (except that if Lessee performs the work with its own employees and demonstrates to the Director's satisfaction that no mechanics lien or stop notice can arise from performing such work, Lessee shall not be required to furnish a payment bond), have furnished County with the following separate corporate surety bonds not less than ten business (10) days prior to the commencement of construction activity on the Premises, which bonds must be in form and content reasonably satisfactory to County or with other security for the construction of the Improvements as set forth in subsection 5.5.5 below:

5.5.4.1. 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 Final Plans, Specifications and Costs. 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, Specifications and Costs.

5.5.4.2. 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 set forth in the Approved Final Plans, Specifications and Costs, guaranteeing payment for all materials, provisions, provender, 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 5.5.4.

5.5.5. Alternative Security. In lieu of providing the Performance Bond, Lessee may deposit a Certificate of Deposit with County or post an additional Letter of Credit in favor of County, equal in amount to one hundred percent (100%) of the construction contract price, which may be drawn upon by County to complete the construction of the Improvements if same have not been completed by Lessee or if an Event of Default has occurred under this Lease; in addition, Director shall have the discretion to accept a lesser or alternative security for performance with respect to improvements to be installed by Lessee whose total cost is no greater than one hundred thousand dollars (\$100,000), inflated by the ENR Index from and after the Execution Date.

5.5.6. Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by Director, to complete the Improvements as set forth in the Approved Final Plans, Specifications and Costs. 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.

5.6. Construction Schedule. Once construction of the Improvements set forth in the Approved Final Plans, Specifications and Costs has been substantially commenced, Lessee shall thereafter use all due diligence to complete such construction in substantial compliance with the Approved Final Plans, Specifications and Costs. During this period, delays due to fire, earthquake, flood, tornado, civil disturbance, war, organized labor dispute or other unforeseeable

event reasonably beyond the control of Lessee ("Force Majeure") or a hidden condition relating to the foundation of the Premises which is was not known to Lessee as of the commencement of such construction activity shall extend the time in which said construction must be completed by the length of time of such delay, although Lessee shall commence and complete the portions, if any, of the Improvements not impacted by such delay within the timeframe set forth in this Lease. Lessee and Director shall discuss and attempt to agree on the length of time of such delay. 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 subsection 5.8.2, the matter shall be arbitrated as set forth in Article 16.

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 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. 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.

5.7.2. 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 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 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.

5.7.5. 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.

5.7.6. Rights of Access. Representatives of the Department of Beaches and Harbors of the County shall, upon reasonable notice and at reasonable times, have the right of reasonable access to the Premises and the improvements thereon without charges or fees, 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. 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 Lessee.

5.7.7. Notice of Completion. Upon completion of the Improvements set forth in the Approved Final Plans, Specifications and Costs, 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.

5.8. Use of Plans. Subject to the rights, if any, of Encumbrance Holders, 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 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 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.

5.9. Additional Construction. Lessee acknowledges that Director may refuse permission for the construction of any proposed Improvement other than ordinary and necessary periodic repair and maintenance, and interior non-structural improvements (with no impact on the building footprint, the building exterior or common areas), and such decision, if reasonable, will be final and binding upon Lessee, subject to Lessee's right to arbitrate pursuant to subsection 2.3.2.2 above. Lessee acknowledges that such proposed Improvement, may also be subject to other governmental requirements and conditions, including those of the California Coastal Commission and other governmental authorities that may have jurisdiction.

If, where such approval is required, Director approves said proposed construction, Lessee shall submit plans and specifications to Director to the extent required under subsection 5.5 above and may commence construction upon receipt of written approval thereof from Director, which shall not be unreasonably withheld, conditioned or delayed and upon compliance with such terms and conditions relating to the construction as Director may reasonably impose.

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 where all of the following conditions are satisfied: the total cost of the

project is less than Forty Thousand and 00/100 Dollars (\$40,000), increased annually to reflect the increase in the ENR Index from and after the Execution Date; none of the proposed construction activity is structural in nature; and, 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 (i) give written notice thereof (including a description of the work to be done and the permits obtained for such work) and (ii) furnish a copy of "as-built" plans upon completion of such work to County. In addition, Director shall have the authority to modify the requirements of this Section 5 where, in the discretion of Director, it is warranted by the circumstances, in light of the insubstantial nature of the Improvements proposed by Lessee and the timeframe for completion of such Improvements.

5.11. 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.

5.11.1. 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.

5.11.2. 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 Premises and the improvements thereon.

5.11.3. 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, other liens and stop notice claims 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 fifteen (15) business days after demand, furnish the bond described in California Civil Code Section 3143, or successor statute, which results in the removal of such lien from the Premises, 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. Alternatively, in lieu of the foregoing bond, Lessee may provide such other security that may be satisfactory to Director for the payment, removal or discharge of the lien.

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, 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 have been finally 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 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. Upon the next Annual Minimum

Rental adjustment date, as described in Section 4.3 above, if any, for the purposes of adjusting the Annual Minimum Rent, all Annual Minimum Rent and/or Percentage 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 taken 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 of improved real property 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"). Pending such determination, all 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. 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 allocated in proportion to the respective value:

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. Any determinations of fair market value of improved real property made pursuant to this Section 6.5 shall be predicated upon the Income Approach.

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, 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 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, the value of Lessee's trade fixtures, Lessee's moving

expenses and loss of goodwill, all as 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, if any, shall be paid to County.

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, if in connection with improved real property, shall be made utilizing the Income Approach.

7. SECURITY DEPOSIT.

7.1. Amount and Use. Concurrent with the execution of this Lease, Lessee shall deliver to County, in the form of a certificate of deposit, cashier's check, wire transfer of immediately available funds, or irrevocable Letter of Credit acceptable to County with respect to form, content and issuer (including without limitation a term of no less than one year), a security deposit in an amount which represents three (3) times the current Monthly Minimum Rent (the "Security Deposit"). The Security Deposit shall be increased by Lessee within thirty (30) days after each Adjustment Date, such that at all times during the Term, it shall be equal to at least three (3) times the Monthly Minimum Rent then in effect. The Security Deposit shall secure Lessee's performance of its obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover delinquent rent not paid by Lessee within any applicable notice and cure period and any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County.

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 five (5) business 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 five (5) business 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, for the death of or injury to persons or damage to property, including property owned or controlled by or in the possession of County, or any of its Board, officers, agents, employees or volunteers, to the extent that such arises from or is caused by (a) the operation, maintenance, use, or occupation of the Premises by Lessee or its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, or (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. 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, Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease.

9. INSURANCE.

Lessee shall maintain at all times during the Term of this Lease policies of liability, worker's compensation and property insurance from companies authorized to transact business in the State of California by the Insurance Commissioner thereof.

9.1. Property Insurance. The policy of property insurance shall provide fire insurance with extended coverage, insuring against loss or damage by fire, lightning and the additional perils included in the standard extended coverage endorsement, as well as those included in the "all risk" policy, and burglary and theft insurance, on the structures, improvements, inventory, trade fixtures, furnishings and equipment used or to be used by Lessee on the Premises. Such insurance shall be in an amount sufficiently adequate to enable the resumption of the leasehold operations by Lessee following the occurrence of any of the risks covered by said insurance. The policy shall provide standard fire and extended coverage insurance, and shall cover vandalism, malicious mischief, and those risks ordinarily defined in "All-Risk coverage." The policy shall also contain "business interruption", "rental interruption" and/or continuous operation coverage payable to County equal to one (1) year's Annual Minimum Rent. During periods of substantial construction on the Premises, Lessee or Lessee's contractor will provide completed value builder's risk insurance reasonably satisfactory to County, together with (i) broad form liability and breach of warranty coverages by endorsement; and (ii) non owned, non hired automotive liability coverage with a policy limit of Two Million and 00/100 Dollars (\$2,000,000). Such insurance shall be in an amount equal to one hundred percent (100%) of the full replacement value of said Buildings, structures, equipment, and improvements, with a deductible not greater than five percent (5%) of such replacement value) (as such replacement value is determined by such insurance company and approved by County's risk manager), and shall be placed and maintained with such insurance company or companies and in such form as shall be reasonably satisfactory to County.

9.2. Form of Policy. All such insurance policies, along with their endorsements, shall name the Major Sublessee, if any, County and its respective Board of Supervisors and members thereof, and County's officers, agents,

employees and volunteers, as additional insureds and any Encumbrance Holder as loss payee. Upon the occurrence of any loss, the proceeds of such 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. In the event of such 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. Any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

Subject to the immediately following grammatical paragraph, a duplicate policy or policies evidencing such insurance coverage, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than five (5) business days after the Execution Date, and such policy or policies shall provide that such insurance coverage will not be cancelled 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 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 such policy may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County, taking into account any additional protection that County reasonably deems prudent to provide for losses related to such other properties.

9.3. Liability Insurance. Lessee shall maintain in full force and effect during the Term of this Lease, comprehensive general liability insurance written on a commercial general liability policy form CG00 01 or its equivalent covering the hazards of premises/operations, products, completed operations, advertising, independent contractors and contractual liability coverages, including liquor liability, broad form property damage and personal injury with a combined single limit of not less than Five Million Dollars (\$5,000,000) per occurrence and not less than Ten Million Dollars (\$10,000,000) in the aggregate; Lessee agrees 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 such liability insurance policy or policies.

Subject to Lessee's option to provide a certificate of insurance as set forth below, a duplicate policy or policies evidencing such insurance coverage shall be filed with Director no later than five (5) business days after the Execution Date, and said policy shall provide that such insurance coverage shall not be cancelled 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 thirty (30) days prior to the expiration of any such policy, a policy showing that such insurance coverage has been renewed or extended shall be filed with Director.

The amounts of liability insurance required by this Section required shall be subject to renegotiation as of each Renegotiation Date. If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding the 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. At the request of County, Lessee shall cause any lender or Encumbrance Holder to consent in writing to the terms of such amendment.

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 such policy may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County, taking into account any additional protection that County reasonably deems prudent to provide for losses related to such other properties.

9.4. Worker's Compensation Insurance. Lessee shall maintain in force during the Term of this Lease, in an amount and with coverage in compliance with applicable California law or, if no such law exists, then reasonably satisfactory to Director, Worker's Compensation Insurance.

9.5. 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 the full amount of any losses to the extent 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;

(b) 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;

(c) 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;

(d) that the policies shall provide coverage on a "primary basis" with respect to the additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;

(e) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgagee clause;

(f) that such policies shall not be suspended, voided, cancelled, 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;

(g) that the 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,

(h) that such 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.

9.6. Failure to Procure Insurance. Failure of Lessee to procure or renew the herein required insurance shall, if not cured within two (2) business days after written notice from County, constitute a default hereunder. In the event of such failure, 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 and all monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County upon demand.

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, in conformance with the standards applied by Director to yacht clubs and anchorages in Marina del Rey, California, as revised from time to time. 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 thereto (and replacements where repair or alteration is insufficient to maintain said improvements in good condition), except as otherwise provided in this Article 10. 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 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 is reasonably necessary to create a pleasing development to the reasonable satisfaction of 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 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. Lessee's obligation to maintain and restore is absolute, and is not in any way dependent upon the existence or availability of insurance proceeds, except as otherwise provided in this Article 10. Restoration

shall take place in accordance with the provisions of Sections 5.3 to 5.8, inclusive.

10.2. Option to Terminate for Uninsured Loss. 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 Premises 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:

10.2.1. No more than fifty (50) days following the event creating the option to terminate under Section 10.2, 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 10.2.1. 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.

10.2.2. No more than thirty (30) days following the giving of the notice required by subsection 10.2.1 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.

10.2.3. No more than sixty (60) days following the event creating the option to terminate under Section 10.2, Lessee delivers to County a 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.

10.2.4. Within ten (10) days following the County's receipt of the notice referred to in subsection 10.2.1, 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.

10.3. 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.

10.4. 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, 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.

10.5. 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 and shall be paid to County by Lessee immediately upon demand. Any failure to make such payment by Lessee within two (2) business days after County's demand therefor shall constitute a default hereunder.

10.6. 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. In connection with such activities, County may consider a temporary abatement in Monthly Minimum

Rent to the extent that such activities interfere with the use and enjoyment of the Premises by Lessee.

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

10.8. 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. SUBLEASE AND ASSIGNMENT.

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 of any amendment or assignment of such Sublease, Lessee shall submit a copy of such Sublease, amendment or assignment to Director for approval, which approval shall be given or withheld at Director's sole and absolute discretion except for a restaurant concession, as to which approval shall be given or withheld at the Director's reasonable discretion. 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.

11.1.3. Major Sublease. Lessee shall enter into a Major Sublease only with a reputable owner or manager of private yacht clubs 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 hereinbefore provided in this Article 11, Lessee shall not, without the prior written consent of County, which shall be based upon factors including those described in Exhibit B hereto, which is incorporated herein by this reference ("Assignment Standards"), either directly or indirectly give, assign, 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. Any Change of Ownership shall constitute an assignment of Lessee's interest under this Lease. In addition, for purposes of this provision, the following acts of Lessee 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 the sole general partner) 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; (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock in a corporation which owns or is a general partner in a partnership owning 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 assignment as provided herein. These same limitations and approval requirements

shall apply with respect to the Sublessee's interest under a Major Sublease. Any transfer described in Section 4.6.2 to a related entity or for estate planning purposes shall not require the consent of County, provided that the County shall receive a notice of such transfer and a copy of any transfer document; provided, however, that County shall at all times have the right to approve any change in the management of the premises following such transfer.

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, but without limiting the scope of such discretion, County may take into account any or all factors relevant to the continued operation of the Premises in accordance with the terms of this Lease and County's derivation of maximum revenue therefrom. Such factors include the Assignment Standards.

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.

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

11.3.1. 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) must contact County and deliver to County all information relevant to the proposed assignment, including without limitation any term sheets, letters of intent, draft Major Subleases, or other documents which set forth any proposed agreement regarding the Premises in connection with the transfer. 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.

11.3.2. 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.

11.3.3. 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.

11.3.4. Lessee shall be required to reimburse County for costs of legal, financial and/or other analyses, as well as in-house staff costs, whether or not County ultimately grants its approval to the proposed assignment. However, in the event that County approves the proposed assignment, Lessee shall receive a credit toward those costs to the extent that an Administrative Charge is paid in connection with the assignment.

11.3.5. 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, cancelled or terminated by the landlord due to the tenant's, lessee's or concessionaire'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 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, if applicable, 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) 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.
- (f) 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.
- (g) 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 in connection with its review of the proposed transaction, to the extent that such information is reasonably related to the approval process, 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 twenty five thousand dollars (\$25,000) affecting the Premises, schedules of pending or threatened litigation, and attorneys' closing opinions, if any, 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.

11.3.6. Final Documents. Prior to granting its approval over any proposed assignment, County shall be provided with executed Assignment and Acceptance of Assignment forms prepared substantially in accordance with the standard form available from County. Ten (10) copies of each must be submitted to County, of which five (5) shall be signed originals and properly acknowledged.

11.4. County Right to Recapture. If Lessee proposes to assign its entire interest in this Lease or the Premises to an unaffiliated third party or

enter into any Major Sublease with an unaffiliated third party affecting the Premises ("Proposed Transfer"), 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 ninety (90) 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 ninety (90) 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 ninety (90) 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 one calendar year or such longer period as the parties may mutually agree upon. During the term of the County Option, Lessee shall make the Premises and its books and records available for inspection by County and third parties as requested by County, with reasonable notice to Lessee and the opportunity for a representative of Lessee to be present during any inspection of Lessee's books and records. 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 subsequent installments of Annual Minimum Rent, Percentage Rent and/or other amounts due hereunder), a sum (the "County Option Price") equal to one percent (1%) of the Lessee Sale Price. If County either (a) fails to elect to cause Lessee to issue the County Option or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then Lessee shall be entitled to submit a Proposed Transfer with a third party to County (subject to County's approval rights as otherwise set forth in this Lease) during the ensuing nine (9) month period so long as that Proposed Transfer price is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material terms. In the event of a proposed 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 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 Financing Events or those events identified in subsection 4.6.2 of this Lease.

11.5. 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, Percentage Rent, and all other amounts payable under the Lease, if any, 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 lieu of the credit described in (2) above, 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, 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, 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.

11.6. 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 from its obligations under this Lease, including without limitation 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; notwithstanding the foregoing, no approved assignment of this Lease is intended to be a novation or a creation or a new lease obligation.

12. ENCUMBRANCES

12.1. Financing Events. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific reasonable conditions which may be imposed by Director, consummate one or more Financing Event(s) (as defined below). Such reasonable conditions may include County's requirement that while its Encumbrance exists any Encumbrance Holder, within thirty (30) days after written request therefor, shall deliver to County a certificate confirming that the Encumbrance is subject to the Lease, including identified amendments to the Lease, together with any other information as may be reasonably requested by County from time to time. 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. Director shall have sixty (60) days to grant or withhold approval of a preliminary loan package and thirty (30) days 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. If not approved in writing within such 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 further reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof, a "Financing Event" shall mean any financing or refinancing consummated by Lessee, whether with private or institutional investors or lenders, where such financing or refinancing is (a) an Encumbrance (as defined below) or (b) if the Premises are

primarily used for other than a private yacht club, has been underwritten primarily upon, or is intended to be repaid primarily from, the proceeds of Lessee's operation of the Premises or the sale, assignment or transfer of Lessee's interest as provided herein.

12.1.1. Encumbrances. As used in this Lease, an "Encumbrance" shall be any grant, assignment, transfer, mortgage, hypothecation, grant of control over, or encumbrance of all or any portion of Lessee's interest under this Lease and the estate so created to a lender (upon County approval of the Encumbrance and consummation of the lending transaction, the "Encumbrance Holder") on the security of Lessee's interest in the Lease and the Premises. 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. These same limitations and approval requirements shall apply with respect to the financing and the Encumbrance Holder of any Major Sublessee's interest pursuant to a Major Sublease.

12.1.2. Consent Not Required to Transfer Resulting from Foreclosure. The written consent of County shall not be required in the case of:

12.1.2.1. A transfer of this Lease or a Major Sublease at a foreclosure sale or at a judicial foreclosure or voluntary conveyance to the Encumbrance Holder or an affiliate of an Encumbrance Holder in lieu thereof; or

12.1.2.2. A single subsequent transfer of the Lease or a Major Sublease by an Encumbrance Holder or an affiliate of an Encumbrance Holder who was a purchaser at such foreclosure sale or transfer in lieu thereof, provided the transferee expressly agrees in writing to assume and to perform all of the obligations under this Lease and, if applicable, a Major Sublease.

12.1.2.3. County acknowledges that a transfer of this lease at a foreclosure sale (or at a judicial foreclosure or voluntary conveyance to the Encumbrance Holder or an affiliate of an Encumbrance Holder in lieu thereof) shall permit the transferee of Lessee interest in this Lease to succeed to all rights of Lessee under this Lease.

12.1.3. Effect of Foreclosure. In the event of a transfer under subsection 12.1.2, the Encumbrance Holder shall forthwith give notice to County in writing of any such transfer setting forth the name and address of the transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made

12.1.3.1. Any transferee under the provisions of subsection 12.1.2.1, including Encumbrance Holder, which is a commercial bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, mortgage banker, real estate investment trust or other similar financial institution which ordinarily engages in the business of making loans secured by collateral similar to the Premises, or an affiliate thereof, ("Institutional Lender") shall be liable to perform the full obligations of Lessee under this Lease until a subsequent transfer of the Lease approved by County. Following the transfer, County shall recognize such transferee as the lessee under the Lease and shall not disturb its use and enjoyment of the Premises, provided that such transferee cures any pre-existing default or event of default which may be cured by the payment of money and thereafter performs the full obligations of Lessee under this Lease. No transferee under this subsection 12.1.3.1 shall be liable for any of Lessee's obligations under this Lease until such transferee has acquired Lessee's interest in this Lease.

12.1.3.2. A transferee under subsection 12.1.2.1 which is not an Institutional Lender and any subsequent transferee under the provisions of subsection 12.1.2.2 shall be liable to perform the full obligations of Lessee under this Lease and as a condition to the completion of such transfer must cure, remedy, or correct any Event of Default existing at the time of such transfer or arising thereafter due to an event or occurrence before date of transfer other than those Events of Default which are not reasonably susceptible of being cured as provided herein.

12.1.3.3. Neither an Administrative Charge nor any Net Proceeds Share shall be payable in respect of or charged against any amount payable under the Encumbrance to or for the benefit of the Encumbrance Holder in connection with a transfer pursuant to subsection 12.1.2.

12.2. Right to Notice and Cure Defaults. All Encumbrance Holders and Major Sublessees shall have the right, at any time during the Term and during the term of its Encumbrance, and as further provided in Section 12.4, 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.

12.3. 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 Section 12.1, 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 which are reasonably susceptible of being cured as provided herein.

12.4. Delay in Exercising Termination Remedy. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than pursuant to Section 13.5), unless it first shall have given written notice of such default to each and every Major Sublessee and Encumbrance Holder, where the Event of Default is one where notice is required to be given to Lessee pursuant to the terms of this Lease and the Encumbrance Holder and/or Major Sublessee have 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, and shall not be deemed to be given to Lessee until County has complied with the first sentence of this Section 12.4. 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 below. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect.

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

(1) 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 receipt of the aforesaid notice of default by the Encumbrance Holder or the Major Sublessee. 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.

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

(a) If an Encumbrance Holder or Major Sublessee cures, remedies and corrects the default within thirty (30) days after the end of Lessee's cure period as provided in Section 13.1 hereof; provided, however, if curing of such default requires activity over a longer period of time, such default may be cured if within said thirty (30) day period, such Encumbrance Holder or Major Sublessee commences 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 thirty (30) day 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.

(b) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of said thirty (30) day 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, said thirty (30) day period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing foreclosure proceedings by any bankruptcy filing or order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks relief from an automatic stay, if feasible, or release from or reversal of such order,

judgment or decree, said thirty (30) day period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty five (35) days after such foreclosure sale and the vesting of title in the purchaser thereat (whether or not such purchaser is the Encumbrance Holder), said purchaser shall, as a condition to the completion of such transfer, cure, remedy or correct the default, or commence and thereafter pursue with due diligence, the performance of the thing or acts required to be done to cure, correct and remedy said default. Said 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.

(3) In the event that this Lease is terminated by County at any time by reason of a default or Event of Default by Lessee which shall be incurable by Encumbrance Holder, or by a surrender, cancellation or termination by Lessee, or if Lessee shall have rejected or otherwise terminated this Lease pursuant to Applicable Laws, then, at Encumbrance Holder's election, County shall enter into a new lease with Encumbrance Holder or an affiliate thereof on the same terms and conditions as shall then be contained in this Lease, provided that Encumbrance Holder shall, as a condition to such new lease cure all Events of Default which may have existed which can be cured by the payment of money, and agrees to cure within a reasonable period of time all other Events of Default which may have existed which are reasonably susceptible of being cured as provided herein. Encumbrance Holder's election shall be made by giving County written notice of such election within ten (10) days after the event giving rise to Encumbrance Holder's election. Promptly after request therefor, County shall execute and return to Encumbrance Holder any and all documents reasonably necessary to secure or evidence Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, Encumbrance Holder (or its affiliate) may notwithstanding anything to the contrary contained elsewhere in this Lease, assign or transfer its interest to any person or entity without obtaining County's or Director's consent thereto, and Encumbrance Holder (or its affiliate) shall be thereupon relieved of all liability under the Lease or the new lease, and such assignee or transferee shall become liable for all of the lessee's obligations thereunder.

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, within five (5) days after receipt of written notice that said payments are overdue.

13.1.2. Failure to Comply with Construction Obligations. The failure of Lessee to comply with the obligations and timeframes set forth in Article 5 of this Lease if not cured within ten (10) business days after receipt of written notice of such failure, if no other notice of such failure is otherwise required hereunder (or if notice is required but no longer cure period is provided).

13.1.3. 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) business days after receipt of written notice of such failure.

13.1.4. 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 (30) 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 (30) day period and Lessee has in good faith commenced and is diligently continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty (30) 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 of such covenant, condition or agreement and so completes performance within six (6) months after notice from County of Lessee's failure to perform.

13.1.5. Nonuse of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty (30) days, except when prevented by Force Majeure or when closed for renovations or repairs required to be made under this Lease.

13.1.6. Notices. Any notice required to be given by County pursuant to subsections 13.1.1 through and including 13.1.4 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, 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 provide such access to the Premises as is reasonably necessary to permit Lessee to comply with its demolition and 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 County at any time, by reason of Lessee's 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 five hundred dollars (\$500) for each written notice of default which County issued to Lessee with respect to such default. 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 cure herein.

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, and to verify the amount and use of the Permitted Capital Expenditures. Lessee and all Sublessees, if any, 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.

Lessee shall utilize the accrual method of accounting with respect to its preparation of the reports and maintenance of records required herein or shall, at County's request, provide County with a manner of readily converting Lessee's records to the accrual basis.

14.2. Cash Registers. All retail 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. Director shall have the discretion to approve an alternative method of recording retail sales, upon the request of Lessee.

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.

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, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, and to verify the amount and use of the Permitted Capital Expenditures,

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 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 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 forty eight (48) months after such expiration or termination.

14.4.1. Entry by County. 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 and with reasonable notice to Lessee for the purpose of determining whether or not Lessee is complying with the terms and conditions of this Article 14, or of 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 three percent (3%) 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. County may require the installation of any additional accounting methods or machines which are typically used by major yacht clubs and major parking service companies (as applicable) 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; Lease Year; Year. The term "Accounting Year" as used herein shall mean the calendar year unless otherwise agreed by Lessee and Director. The term "Lease Year" and any other period of one year or twelve months provided in this Lease may be changed from time to time by written agreement of Lessee and Director.

14.8. Annual Financial Statements. Within six (6) months after the end of every third Accounting Year or, at Lessee's election, after the completion of every third fiscal year of Lessee, Lessee shall deliver to County a statement prepared by a Certified Public Accountant who is licensed by the California State Board of Accountancy and is satisfactory to County, which includes a certification

of and unqualified opinion (i) concerning Lessee's Gross Receipts (including a breakdown by category), (ii) that proper rent had been paid to the County and (iii) concerning the amount of Permitted Capital Expenditures in said Accounting Year based upon generally accepted accounting principles. 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 certified statements and unqualified opinions as to Gross Receipts; provided, however, that concessionaires shall not be required to so comply if they provide sufficient information to Lessee, in form and content satisfactory to Director, to permit Lessee to comply with its obligations hereunder.

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, County shall provide written notice of such failure to Lessee and 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 lessees of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as 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, and ten (10) days after written notice to Lessee, Lessee shall pay such Percentage Rent, together with 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 all Actual Costs incurred by County 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. Non-Profit Status. Lessee agrees that it shall retain its nonprofit status throughout the Term. If, for any reason, Lessee is no longer a legally recognized nonprofit entity, Subsections 4.4.1, 4.4.2.1 and 4.4.2.2 shall no longer be applicable and Percentage Rent for each of the categories of Gross Receipts set forth in subsections 4.2.2(a) through (t) shall be immediately adjusted, as of the first date upon which Lessee was no longer a legally recognized nonprofit entity, to the Fair Market Rental Value as may be determined by appraisal, negotiation or arbitration with the foregoing subsections no longer applicable and in accordance with the procedures of Subsections 4.4.3 and 4.4.4; provided, however, that the Percentage Rent, Minimum Rent and total rent shall be no less than all such rents paid or payable immediately prior to the change of Lessee from a legally recognized non-profit entity to another form of entity. Furthermore, in such event, the exemption from Gross Receipts set forth in subsection 4.2.2.3(f) shall be of no further force and effect.

15.2. Waterfront Promenade. At the time described below Lessee agrees to construct at its expense the public pedestrian improvements as depicted on the plan attached to, and upon the terms described in, Exhibit F (the "DRYC Promenade Plan").

Lessee acknowledges that DRYC Promenade Plan does not conform to the requirements of the County's Local Coastal Program certified by the California Coastal Commission on February 8, 1996 (the "LCP") or the Los Angeles County Code Section 22.46.180 (the "Parcel 30 LCP Promenade Requirements"), which could be imposed under circumstances described therein. County acknowledges, however, that the DRYC Promenade Plan provides a valuable contribution to the implementation of the Marina del Rey Waterfront Promenade envisioned in the LCP and the County's subsequent Asset Management Strategy. The details of the DRYC Promenade Plan will be subject to the review and approval of County's Design Control Board and Regional Planning Commission. The Lessee acknowledges that the approval by the Regional Planning Commission of the Coastal Development Permit (the "CDP") required to construct the improvements contemplated by the DRYC Promenade Plan may be appealed to County's Board of Supervisors and/or to the California Coastal Commission. The Director shall provide appropriate support for the DRYC Promenade Plan and the associated CDP, which shall include a favorable recommendation to the Design Control Board and Regional Planning Commission. If the CDP is approved by the Regional Planning Commission and appealed to the Board of Supervisors and/or the

California Coastal Commission, the Director will recommend denial of the appeal and support of the CDP application.

Lessee acknowledges that County, in connection with the implementation of the DRYC Promenade Plan, is under no obligation to propose an LCP amendment which would substitute the DRYC Promenade Plan for the provisions of the LCP with respect to the promenade requirements applicable to Premises, such that no further promenade requirements would be applicable to the Premises in the event of future expansion of the Improvements (the "LCP Amendment"). However, should Lessee notify County of its desire to proceed with an LCP Amendment to permit a future expansion of the floor area of the Improvements subsequent to implementation of the DRYC Promenade Plan, the Director, without waiving any of the rights of the County to approve or disapprove such future expansion when actually proposed by Lessee, shall support an LCP Amendment to permit such approved expansion in cooperation with Lessee, and provide such assistance as may reasonably be necessary to secure final enactment of such LCP Amendment. In this regard, the Director shall work with Lessee in its efforts to obtain approval of such LCP Amendment by the Small Craft Harbor Commission and the Regional Planning Commission and, if approved by the latter, the Board of Supervisors. Additionally, should such LCP Amendment be approved by County, then County shall be a co-applicant with Lessee and the Director shall cooperate with Lessee in seeking the necessary approval of the LCP Amendment by the California Coastal Commission. Should the procedures for enactment of the LCP Amendment change in the future, the Director and Lessee shall cooperate in furtherance of the intent of this provision to process the LCP Amendment.

At any time following January 1, 2000, County may provide written notice to Lessee (the "Waterfront Promenade Compliance Notice") directing Lessee to comply with the DRYC Promenade Plan, provided, however, Lessee shall have the right to commence compliance with the DRYC Promenade Plan prior to January 1, 2000.

Unless otherwise agreed by Lessee and County, Lessee shall comply with the DRYC Promenade Plan by the date which is the later of six (6) months following receipt of the Waterfront Promenade Compliance Notice or June 30, 2000 (the "DRYC Promenade Construction Period"). The DRYC Promenade Construction Period shall be extended if there is a delay in obtaining all appropriate and necessary governmental approvals, including, without limitation, the CDP, required to construct the improvements contemplated by the DRYC Promenade Plan (the "Promenade Entitlements"), provided that Lessee shall

exercise all reasonable due diligence to obtain the Promenade Entitlements, with the support of the Director, as described above.

If despite Lessee's exercise of reasonable due diligence and through no fault of its own (1) Lessee is unable to secure the Promenade Entitlements by the end of the DRYC Promenade Construction Period, or (2) the Promenade Entitlements which are required by governmental authorities are conditioned upon Lessee's providing public access to areas of the Premises which would materially impair the privacy and security of its private yacht club use of the Premises to an extent greater than as reflected in the DRYC Promenade Plan (and such access is not acceptable to Lessee), then County or Lessee shall have the option to terminate the lease extension, exercisable by County or Lessee within forty five (45) days after the end of the DRYC Promenade Construction Period, or the expiration of any and all appeal periods which result from a determination to grant or issue the Promenade Entitlements consistent with the DRYC Promenade Plan but with an unacceptable access condition, as applicable.

In the event either County or Lessee elects to terminate the lease extension, the Promenade Subaccount (with interest earned thereon) shall be released to Lessee and Lessee and County shall promptly enter into an amendment of this Lease reinstating the terms and conditions of the original Lease; provided, however, that the following provisions of this Lease shall be included in said amendment: the Annual Minimum Rent and Percentage Rent shall remain in place through the next rental renegotiation date; the imputed rental determinations made pursuant to Section 4.2.2 (a) and subsection 4.4.2.1 (through the next rental renegotiation date only); the provisions of Articles 5, 7, and 9; and the provisions of Articles 14 and 16 hereof.

15.3. Dockmasters. Throughout the Term, Lessee shall keep in place its existing system of volunteer on-site dockmasters or paid dockmasters if the voluntary system is not reasonably satisfactory to either Lessee or County. Lessee's voluntary system of on-site dockmasters currently uses a "port captain" who is responsible for assigning slips, a "dock captain" who is responsible for seeing that all slip occupants properly use the dock space assigned, and a "house and grounds chairperson" who is responsible for all repair and construction projects relating to the Premises.

15.4. 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.

15.5. 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.

15.6. County Costs. Lessee shall promptly reimburse County for the 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 deposited the sum of ten thousand dollars (\$10,000) toward those costs. County shall deliver to Lessee a report detailing such expenditures within ninety (90) days after Execution Date.

15.7. County Disclosure and Lessee's Waiver.

15.7.1. 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 (1962). Except as specifically provided herein, 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 or had the opportunity to perform all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

15.7.2. 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.

15.7.3. 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.

15.7.4. No 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.

15.8. Holding Over Creates Month-to-Month Tenancy. If Lessee holds over after the expiration of the Term for any cause, such holding over shall be deemed to be a tenancy from month-to-month only, at 125% of the then current minimum and/or percentage rental per month and upon 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.

15.9. 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.

15.10. 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.

15.11. 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, 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.

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 and the removal of persons and property and storage of such property by County and its agents.

15.12. 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.

15.13. 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 15.13. 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 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: Del Rey Yacht Club
13900 Palawan Way
Marina del Rey, CA 90292
Phone: 310/823-4664
Fax: 310/821-1346
Attn: Commodore

15.14. Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable immediately upon 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.

15.15. 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.

15.16. 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 attorneys' fees for County Counsel's services where County is represented by the County Counsel and is the prevailing party.

15.17. 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. At the request of County, Lessee shall cause any lender or Encumbrance Holder to consent in writing to the terms of any amendment to this Lease which has been entered into by County and Lessee.

15.18. Time For Director Approvals. Except where a different time period is specifically provided for in this Lease or where this Lease specifically provides for Director's deemed approval, 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.

15.19. 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 an affirmative 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 (and Lessee's time for performance or counterperformance, if applicable) shall be extended as is necessary in order to secure such affirmative vote or approval 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.

15.20. 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 that this Lease, as it may be amended from time to time, is in full force and effect and 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 such other information as may be reasonably requested from time to time. Prospective purchasers and lenders may rely on the statements contained in such estoppel certificates.

15.21. 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.

15.22. Amended Lease. The parties hereto acknowledge that this Lease constitutes an amendment to the Original Lease and that, except as specifically provided herein, the relationship of the parties through the Execution Date shall be governed by the Original Lease; notwithstanding the foregoing, any default by Lessee under the terms of the Original Lease which is not identified by County until after the Execution Date shall constitute an Event of Default hereunder.

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; provided, however, that the parties acknowledge that disputes regarding Fair Market Rental Value and Marina del Rey Average Percentage Rent shall not constitute valuation disputes, but rather shall require a determination of whether County has accurately computed such Fair Market Rental Value and/or Marina del Rey Average Percentage Rent.

(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); provided, however, that the parties acknowledge that disputes regarding Fair Market Rental Value and Marina del Rey Average Percentage Rent shall not constitute valuation disputes, but rather shall require a determination of whether County has accurately computed such Fair Market Rental Value and/or Marina del Rey Average Percentage Rent; 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, including the relevant average percentage rents in Marina del Rey where applicable.

(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 (including the Comparable Slip 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, etc.

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, Marina del Rey Average Percentage Rent 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 9.3, 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 and return the executed copy to the County, which shall thereafter be approved by the Board of Supervisors and executed by County as soon as reasonably practicable. At the request of County, Lessee shall cause any lender or Encumbrance Holder to consent in writing to such amendment.

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.

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 or approval of County, Director or Lessee is required under this Lease, such consent shall not be unreasonably withheld and whenever this Lease grants County, Director or Lessee the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations, County, Director 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.

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.

Dated: October 12, 1999.

APPROVED AS TO FORM:

LLOYD W. PELLMAN
County Counsel

By Richard Pellman

(CORPORATE SEAL)

_____, Clerk of
the Board of Supervisors

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By Ronald A. Volpe

THE COUNTY OF LOS ANGELES

By Don Kneale
Chairman, Board of Supervisors



ATTEST: JOANNE STURGES
EXECUTIVE OFFICER -
CLERK OF THE BOARD OF SUPERVISORS
Jeffrey Lillalake, Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13

OCT 12 1999

Joanne Sturges
JOANNE STURGES
EXECUTIVE OFFICER

DEL REY YACHT CLUB,
a nonprofit corporation

By Paul Lewiston

Name: Richard Lewiston
Its: Commodore

By Joanne Sturges

Name: Joanne Sturges
Its: Secretary