AMENDED AND RESTATED LEASE AGREEMENT

by and between

County of Los Angeles

and

Marina Waterside, LLC,
a California limited liability company

(Parcel 50T — Lease No. ___)

Dated as of November 10, 2004
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AMENDED AND RESTATED LEASE AGREEMENT
PARCEL 50T — MARINA DEL REY

THIS AMENDED AND RESTATED LEASE AGREEMENT ("Lease") is made and entered into as of the 10th day of November, 2004 ("Effective Date"), by and between the COUNTY OF LOS ANGELES ("County"), as lessor, and MARINA WATERSIDE, LLC, a California limited liability company (together with its permitted successors and assigns, "Lessee"), as lessee.

WITNESSETH

WHEREAS, County, as lessor, and Sandpiper Builders and Michael Sims, as lessee, entered into Lease No. 8106 (as amended prior hereto, the "Existing Lease") concerning the lease by County to the lessee thereunder of that certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel No. 50T and which is more specifically described on Exhibit A attached hereto and incorporated herein by this reference (the "Premises");

WHEREAS, the term of the Existing Lease currently extends through January 31, 2024 (the "Existing Expiration Date");

WHEREAS, Lessee has acquired the lessee’s leasehold interest under the Existing Lease; and

WHEREAS, County and Lessee have entered into that certain Option to Amend Lease Agreement dated December 16, 2003 (the "Option Agreement"), pursuant to which County has granted Lessee an option (the "Option") to amend and restate the Existing Lease in its entirety, upon the terms and conditions more specifically provided herein, including, without limitation, an extension of the term of the Existing Lease through January 31, 2063; and

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

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

1. BACKGROUND AND GENERAL.

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

1.1.1 "ACCOUNTING YEAR" shall have the meaning set forth in Section 14.6.

1.1.2 "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, financial consultants and advisors,
(ii) costs incurred in connection with appraisals, and (iii) County’s appropriate internal overhead and administrative costs, which include without limitation, the value of services provided by County’s in-house counsel, lease administrators and/or 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).

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

1.1.4 "ADJUSTMENT DATES" shall have the meaning set forth in subsection 4.2.3.

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

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

1.1.7 "ALTERATIONS" shall have the meaning set forth in Section 5.2.

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

1.1.9 "APPLICABLE COSTS" shall have the meaning set forth in subsection 4.8.1.

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

1.1.11 "APPLICABLE RATE" shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate, as defined in subsection 4.4.5, plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

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

1.1.15 "BASE VALUE" shall have the meaning set forth in subsection 4.8.1.1.
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 "BUSINESS DAY" shall have the meaning set forth in Section 17.3.

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

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

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

1.1.22 "CITY" shall mean the City of Los Angeles, California.

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

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

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

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

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

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

1.1.29 "COUNTY POOL RATE" shall have the meaning set forth in subsection 4.4.5 of this Lease.

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

1.1.31 "DEPARTMENT" shall mean the Department of Beaches and Harbors of the County of Los Angeles.
1.1.32 “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.

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

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

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

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

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

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

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

1.1.40 “EXCLUDED TRANSFERS” shall have the meaning set forth in subsection 4.6.2.

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

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

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

1.1.44 “FAIR MARKET RENTAL VALUE” shall have the meaning set forth in subsection 4.4.1.

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

1.1.46 “FINANCING EVENT” shall have the meaning set forth in subsection 12.1.1.

1.1.47 “FORCE MAJEURE” shall mean any inability of a party to perform any non-monetary obligations under this Lease due to fire or other casualty, acts of God, civil
riots, acts or terrorism, embargo, governmental order, governmental moratoria, third party restraining order or injunction (filed by a plaintiff other than Lessee, an affiliate of Lessee, County or the California Coastal Commission), industry wide strikes or other similar causes beyond the reasonable control of the party required to perform the subject obligation.

1.1.48 "GROSS ERROR" shall have the meaning set forth in subsection 16.15.4.

1.1.49 "GROSS PROCEEDS" shall have the meaning set forth in subsection 4.8.1.

1.1.50 "GROSS RECEIPTS" shall have the meaning set forth in subsection 4.2.2.2.

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

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

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

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

1.1.55 "INSTITUTIONAL LENDER" shall have the meaning set forth in subsection 12.3.1.

1.1.56 "INSURANCE RENEGOTIATION DATE" shall have the meaning set forth in Section 9.3.

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 SUBLLESSEE” shall have the meaning set forth in subsection 11.1.1.

1.1.64 “MINIMUM REQUIRED RENOVATION AMOUNT” shall have the meaning set forth in subsection 5.9.

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 4.6.

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 5.5.7.

1.1.71 “OPTION AGREEMENT” 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 5.4.3.2.

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 5.4.3.1.

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

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

1.1.78 “PRIME RATE” shall have the meaning set forth in subsection 4.4.5.
1.1.79  "PROPOSED TRANSFER" shall have the meaning set forth in subsection 11.2.4.

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

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

1.1.82  "REDEVELOPMENT WORK" shall have the meaning set forth in Section 5.1.

1.1.83  "RENEGO TIATION DATES" shall have the meaning set forth in Section 4.4.

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

1.1.85  "REQUIRED COMPLETION DATE" shall have the meaning set forth in Section 5.1.

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

1.1.87  "REVERSION AMENDMENT" shall have the meaning set forth in Section 5.1.

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

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

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

1.1.96  "SUBSEQUENT RENOVATION" shall have the meaning set forth in Section 5.9.
1.1.97 "SUBSEQUENT RENOVATIONS FUND" shall have the meaning set forth in Section 5.10.

1.1.98 "SUBSEQUENT RENOVATION PLAN" shall have the meaning set forth in Section 5.9.

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

1.1.100 "TIME OF THE ESSENCE" shall have the meaning set forth in Section 15.2.

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

1.1.102 "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. This Lease fully amends, restates and supercedes the Existing Lease.

1.2.1 As-Is. Lessee acknowledges that (1) it is currently in possession of the Premises, (2) the Improvements now existing on the Premises were constructed by the lessee under the Existing Lease with contractors selected by them, and (3) the lessee under the Existing Lease has occupied, managed and operated the Premises since 1964. Except as provided in subsection 1.2.2, Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the Effective Date, and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS WITH ALL FAULTS". Lessee hereby accepts the Premises on an "AS IS WITH ALL FAULTS" basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises and/or any Improvements located thereon, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises and/or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land and within the Improvements and within each space therein, (ii) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and/or any Improvements located thereon, (iv) the development potential of the Premises, and the use, habitability,
merchantability or fitness, or the suitability, value or adequacy of the Premises and/or any Improvements located thereon for any particular purpose, (v) the zoning or other legal status or entitlement or lack thereof of the Premises or any other public or private restrictions on use of the Premises, (vi) the compliance of the Premises and/or any Improvements located thereon with any applicable codes, laws, rules, regulations, statutes, resolutions, ordinances, covenants, conditions and restrictions of County, City, State, the United States of America, the California Coastal Commission and/or any other governmental or quasi-governmental entity (“Applicable Laws”) or of any other person or entity (including, without limitation, relevant provisions of the Americans with Disabilities Act (“ADA”), (vii) the presence of any underground storage tank or hazardous materials on, under or about the Premises or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any Improvements, (ix) the condition of title to the Premises, and (x) the economics of the operation of the Premises and/or any Improvements located thereon.

1.2.2 Title. County represents that County owns fee title to the Premises and that County has authority to enter into this Lease. Lessee hereby acknowledges the title of County and/or any other public entity or agency having jurisdiction thereover, in and to the Premises, and covenants and agrees never to contest or challenge the extent of said title, except as is necessary to ensure that Lessee may occupy the Premises and/or encumber the leasehold estate 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 (the “Term”) shall continue until and expire at 11:59 p.m. on January 31, 2063. Each twelve (12) month period during the Term from February 1 through January 31 of the succeeding calendar year is referred to herein as a “Lease Year.”

2.2 Appraisal of Extension of Original Term. The parties hereto agree and acknowledge that prior to the Effective Date, County has conducted an appraisal of the thirty-nine (39) year extension of the Term from January 31, 2024 to January 31, 2063 as provided herein, and that the Extension Fee payable under the Option Agreement is not less than the appraised value of the Lease extension provided herein.

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

2.4 Reversion of Improvements. Upon the expiration of the Term or sooner termination of this Lease, whether by cancellation, forfeiture or otherwise:
2.4.1 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. Lessee shall not be responsible for any removal by an easement holder of any Improvements that may be owned by and constructed on the Premises by such easement holder pursuant to an easement granted to such easement holder by County. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to receive any and all proceeds which are attributable to the Condemnation of business installations, Improvements, structures and buildings belonging to Lessee immediately prior to the taking of possession by the Condemnor as said rights are set forth in Article 6 of this Lease, or to remove any furniture or equipment not intended to be permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee or a Sublessee (as opposed to other signage used in the operation of the Premises and associated Improvements), or any personal property, upon the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee’s obligations under this Lease to use the Premises for the Permitted Uses. In addition, nothing contained herein shall be construed to deny a Sublessee any right that such Sublessee may have under its Sublease to remove any so-called Sublessee “trade-dress” items installed in or on the subleased premises by such Sublessee. Lessee shall be responsible for repairing (or causing its Sublessees to repair) any damage to the Improvements on the Premises incurred in connection with the removal from the Premises of any of the items described in this subsection 2.4.1.

2.4.2 Duty to Remove. No earlier than eleven (11) years, and no later than ten (10) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert approved by County, such approval not to be unreasonably withheld or delayed, which report details and estimates the cost of removing all Improvements on the Premises at the expiration of the Term. County may give written notice 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 at grade, above grade and below 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. If County requires Lessee to remove the Improvements, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps. Lessee shall not be required to remove any Improvements that are owned by third parties and located on the Premises pursuant to easements encumbering the fee title to the Premises and as to which neither County nor Lessee has a right to require the removal of such easement Improvements. Lessee shall have the right, by written notice to County not later than thirty (30) days prior to the expiration of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender
obligations under this subsection 2.4.2 and/or the Lessee’s removal obligations under subsection 2.4.4 below to a date not more than sixty (60) days after the expiration of the Term; provided, however, that all of the Lessee’s obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises) shall be applicable during such additional period, including without limitation, the Lessee’s obligations with respect to insurance and indemnification, and Lessee’s obligation to pay County compensation for such period in an amount equal to the Monthly Minimum Rent rate in effect immediately prior to the expiration of the Term multiplied by 1.333.

If Lessee has received written notice of County’s election to require Lessee to remove Improvements hereunder, Lessee shall, no later than the date which is ninety (90) days after the date upon which Lessee received such notice from County, provide County with a letter of credit, bond or other security or deposit of funds, in form, issuer and amount satisfactory to County, to secure the discharge of Lessee’s removal and restoration obligations pursuant to this subsection. The amount of the letter of credit, bond or other security or deposit shall be equal to the greatest of (i) the estimated cost to remove the Improvements as set forth in the report described above (the “Estimated Costs”) multiplied by 1.5, (ii) the Estimated Costs adjusted to reflect the percentage change in the ENR Index over the five (5) year period immediately preceding the date of Lessee’s delivery of the letter of credit, bond, or other security or deposit, or (iii) the Estimated Costs adjusted to reflect the percentage change in the CPI Index over the five (5) year period immediately preceding the date of Lessee’s delivery of the letter of credit, bond, or other security or deposit. If County fails to elect to require Lessee to remove the buildings, structures and Improvements on the Premises as provided above, then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall turn over the Premises to County in good and workmanlike condition, consistent with the condition of other buildings, structures and Improvements of comparable age and construction quality.

2.4.3 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.

2.4.4 Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease (or within the additional sixty (60) day period described in subsection 2.4.2), Lessee shall in any event remove at its cost and expense such furniture, equipment and personal property as are not firmly affixed to said structures, buildings and Improvements or reasonably necessary for the orderly operation of the Premises. Should Lessee fail to so remove said furniture, equipment and personal property within said period, and said failure continues for 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 incurred in connection with such sale, removal or demolition in
excess of any consideration received by County as a result of said sale, removal or demolition.

2.4.5 Title to Certain Improvements Passes to County; Lessee to Maintain. As between County and Lessee, title to all utility lines, transformer vaults and all other utility facilities constructed or installed by Lessee upon the Premises shall vest in County upon construction or installation to the extent that they are not owned by a utility. Notwithstanding the foregoing sentence, as between Lessee and County, Lessee shall be responsible for performing (or causing the appropriate utility provider to perform) the maintenance, repair and replacement, if and as needed, of such utility lines, transformer vaults and all other utility facilities during the Term.

3. USE OF PREMISES.

3.1 Specific Primary Use. The Premises shall be used by Lessee for the operation and management of (i) a retail shopping center, and (ii) such other related and incidental uses as are specifically approved by County, which approval shall not be unreasonably withheld, conditioned or delayed by County as long as such other related or incidental use is consistent with the operation of a first-class retail shopping center (collectively, the foregoing shall be referred to herein as the “Permitted Uses”). County acknowledges that it has approved as related and incidental uses the uses currently in operation on the Premises pursuant to the Subleases that are currently in effect for the Premises and that have been approved by County. Except as specifically provided herein, the Premises shall not be used for any purpose other than the Permitted Uses, without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 Prohibited Uses. Notwithstanding the foregoing:

3.2.1 Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises, 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.

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

3.2.2.1 The Premises shall not be used or developed in any way which is inconsistent with any Applicable Laws;

3.2.2.2 The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as
such term refers to graphic, explicit and/or obscene depictions of sexual activity; with respect to any future use of the Premises for the operation of a motion picture theatre (which use it is hereby agreed shall be subject to the prior approval of County in accordance with Section 3.1 above), the restriction in this subsection 3.2.2.2 shall prohibit the exhibition of “X”-rated (as that term is used as of the Effective Date or its equivalent at the time) or other pornographic motion pictures, but shall not prohibit the exhibition of “R” rated motion pictures (as that term is used as of the Effective Date or its equivalent at the time);

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

3.2.2.4 No condition shall be permitted to exist upon the Premises which shall induce, breed or harbor infectious plant diseases, rodents, or noxious insects and Lessee shall take such measures as are appropriate to prevent any conditions from existing on the Premises which create a danger to the health or safety of any persons residing or working at, or persons patronizing, the Premises; this subsection 3.2.2.4 shall not be construed to prevent Lessee from using the Premises for normal restaurant and supermarket operations, provided that Lessee takes (or causes to be taken) all actions or measures required to comply with this subsection 3.2.2.4;

3.2.2.5 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; Director shall not unreasonably withhold its approval of the installation of one or more satellite antennae on the roof of the buildings as long as such antennae do not extend above the roofline or parapet at the top of the building perimeter, are screened from view in a manner acceptable to Director and do not interfere with other electromagnetic transmission in the Marina;

3.2.2.6 No tools, equipment, or other structure designed for use in boring for water, oil, gas or other subterranean minerals or other substances, or designed for use in any mining operation or exploration, shall hereafter be erected or placed upon or adjacent to the Premises, except as is necessary to allow Lessee to perform its maintenance and repair obligations pursuant to this Lease;

3.2.2.7 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 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; and provided, further, that the existing environmental conditions set forth in that certain Limited Phase II Environmental Sampling Report dated September 8, 2003 prepared by Kleinfielder, Inc. shall not constitute a breach or default by Lessee of this Lease as long as upon the execution and delivery of this Lease Lessee promptly and diligently prosecutes the remediation of such conditions; Lessee may delay the remediation of asbestos-containing materials currently existing in individual units of the Improvements until the applicable unit is surrendered by the existing Sublessee or such unit is renovated or refurbished, provided that the remediation described in this subsection 3.2.2.7 shall in all events be completed as, and not later than when, required until Applicable Laws; and

3.2.2.8 The Premises shall not be used for fuel sales or residential purposes.

3.3 Active Public Use. The parties acknowledge that the ultimate objective of this Lease is the complete and continuous use of the facilities and amenities located in Marina del Rey by and for the benefit of the public, without discrimination as to race, gender or religion, along with the generation and realization of revenue therefrom. Accordingly, Lessee agrees and covenants that it will operate the Premises fully and continuously (other than during periods when Lessee is prevented from doing so due to Force Majeure or reasonable periods during which the applicable Improvements are under construction or alteration) in light of these objectives, consistent with the operation of a retail facility, and that it will use commercially reasonable efforts so that County may obtain maximum revenue therefrom as contemplated by this Lease. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

3.4 Days of Operation. The Improvements on the Premises shall be open every day of the year. Any changes in the days and/or hours of operation of the Improvements on the Premises shall be subject to the written approval of County. Lessee shall not be obligated to remain open for business to the public on holidays on which other comparable retail shopping centers are closed for business (or, with respect to any portion of the Improvements occupied for banking purposes, on holidays on which banks are closed for business).

3.5 Signs and Awnings. Any and all art, displays, identifications, monuments, awnings, advertising signs and banners which are placed on, or are visible from, the exterior of the Premises shall be only of such size, design, wording of signs and color as shall have been specifically submitted to and approved by Director (and to the extent required under then applicable Law, the Design Control Board), whether pursuant to Article 5 of this Lease or otherwise, in writing, prior to the erection or installation of said art, sign, display, identification, monument, awning or advertising sign.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises. Without limitation of the foregoing, Lessee shall comply with all public access requirements of the Marina del Rey Local Coastal Program, as amended from time to time.
3.7 **Rules and Regulations.** Lessee agrees to comply with such other reasonable rules and regulations governing the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to other commercial shopping center facilities in Marina del Rey, and delivered in writing to Lessee.

3.8 **Reservations.** Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way in, to, over or affecting the Premises for any purpose whatsoever that are existing as of the date hereof and that either (i) are of record, (ii) have been disclosed to Lessee in writing or are otherwise known to Lessee, (iii) would be apparent or discoverable by an ALTA survey of the Premises, or (iv) are otherwise referenced in this Lease.

Without limiting the foregoing, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior matters of record and the rights of County and/or City existing as of the Effective Date or otherwise disclosed to or known to Lessee, as their interests may appear, to install, construct, maintain, service and operate sanitary sewers, public roads and sidewalks, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and utility easements across, upon or under the Premises, together with the right of County or the City to convey such easements and transfer such rights to others.

Without limiting the foregoing, County reserves the right to install, repair and maintain signs and sidewalks on the Premises at the intersection of Lincoln Boulevard and Fiji Way and at the intersection of Lincoln Boulevard and Mindanao Way in the areas shown on Exhibit D attached to this Lease. County shall have the non-exclusive right to use such areas for the continued use and maintenance of signs that are consistent with the County’s sign plan for the Marina. For so long as County continues to maintain signs pursuant to this paragraph, County shall install and maintain landscaping in such areas consistent with Lessee’s landscaping. If during the Term County removes all of its signs and abandons use of such areas for sign purposes for a period of thirty (30) days, then County’s right to install and maintain signs on the Premises in such areas shall cease and Lessee shall have full use of such areas and shall assume the maintenance of landscaping installed by County thereon. If County abandon’s that portion of the areas depicted on Exhibit D that it has used for the installation of sidewalks, then County, at the option of Lessee, at County’s sole cost and expense, shall remove such sidewalks and landscape such portion of the Premises to conform to the landscaping on the rest of the Premises.

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 grant to Lessee of the Option or Lessee’s exercise thereof. Lessee shall have the right to contest the amount of any assessment imposed against the Premises or the possessory interest therein; provided, however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

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

4.2.1 Annual Minimum Rent and Monthly Minimum Rent. Lessee shall pay to County the minimum rent described in this subsection 4.2.1 (subject to adjustment pursuant to Sections 4.2.3 and 4.4 below) during each year of the Term (the “Annual Minimum Rent”). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Minimum Rent (the “Monthly Minimum Rent”). During the period from the Effective Date through the day preceding the fifth (5th) anniversary of the Effective Date, the Annual Minimum Rent shall be Seven Hundred Fifty Thousand Dollars ($750,000.00) per year. From and after the fifth (5th) anniversary of the Effective Date, the Annual Minimum Rent shall be as set forth in Sections 4.2.3 and 4.4 below.
4.2.2 Percentage Rent. For the purposes of this Lease, "Percentage Rent" for any given month or year shall be defined as the sum of the amount set forth in subsection 4.2.2.1 below with respect to Gross Rent Revenues and the amount set forth in subsection 4.2.2.2 below with respect to Gross Receipts. Within fifteen (15) days after the close of each and every calendar month of the Term, Lessee shall file a report of Gross Rent Revenues and Gross Receipts and pay to County a sum equal to the total Percentage Rent payable under subsections 4.2.2.1 and 4.2.2.2 for such previous month, less the amount of Monthly Minimum Rent paid for such previous month as provided herein.

4.2.2.1 Gross Rent Revenues. Lessee shall be obligated to pay to County sixteen percent (16%) of Gross Rent Revenues (as defined below) with respect to the lease or occupancy of retail stores (other than restaurants), office space, guest rooms, meeting rooms and other non-retail areas, other than those activities set forth in subsection 4.2.2.2 below. "Gross Rent Revenues" shall mean all fixed, minimum, base, percentage or other rents of any kind, payments, charges, fees, expense reimbursements and other compensation payable to Lessee by any Sublessee, licensee, permittee or concessionaire, whether collected or accrued, from or relating to any business, use, or occupancy on or of the Premises or the Improvements, or any part thereof. Gross Rent Revenues shall expressly include, without limitation, all operating expense, property tax and insurance premium reimbursements, fees or other charges payable to Lessee, but shall exclude reimbursements paid to Lessee for costs incurred by Lessee for maintenance of common areas, including parking areas (but not property taxes or insurance premiums), and reimbursements paid to Lessee for common advertising and similar promotional activities for the shopping center as a whole, as long as not less than eighty percent (80%) of all tenants participate in the cost of such advertising and promotional activities; provided, that if any amounts payable to Lessee for such common area maintenance or advertising or promotional activities exceed the actual third party out-of-pocket costs incurred by Lessee for such matters, then such excess shall be included in Gross Rent Revenues; and provided, further, that any expenses incurred by Lessee for services or goods rendered or supplied by any affiliate of Lessee shall not exceed the fair market value of such services or goods. Notwithstanding any contrary provision of this subsection 4.2.2.1, the Percentage Rent payable with respect to property tax and insurance premium reimbursements shall be calculated based on twenty percent (20%) of such property tax and insurance premium reimbursements in lieu of the sixteen percent (16%) amount otherwise applicable to other items of Gross Rent Revenues under this subsection 4.2.2.1.

Lessee represents that all current Subleases of the Premises require each applicable Sublessee to reimburse Lessee for property taxes and insurance expenses incurred by Lessee with respect to the Premises and Improvements. If Lessee hereafter enters into any Sublease (or amendment or modification of an existing Sublease) that provides for the direct payment by a Sublessee of property taxes or insurance premiums that Lessee currently customarily pays and receives reimbursement from Sublessees, then for purposes of the calculation of Gross Rent Revenues, such direct property tax and/or insurance premium payments shall be included in Gross Rent Revenues as if Lessee had paid the expense and received a
reimbursement in the same general manner as set forth in the current Subleases in effect as of the Effective Date. Lessee shall be required to obtain the advance written approval from Director of any items to be excluded from Gross Rent Revenues, which approval shall be based on the terms and provisions of this subsection 4.2.2.1.

Gross Rent Revenues shall not include amounts reimbursed to Lessee for the Cost of each Sublessee’s submetered electricity, water and gas for such Sublessee’s space, provided that (1) each Sublessee’s obligation to reimburse Lessee for such utility charges is separate and apart from such Sublessee’s obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the Sublessee’s usage of such utilities; and, (3) the receipt is actually credited against the cost of the Sublessee’s usage of such utilities. For the purpose of the foregoing sentence, the “Cost” of the Sublessee’s usage of utilities shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility bill that is allocable to the Sublessee based on such Sublessee’s submetered consumption of such utilities, 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.

If Lessee, or any affiliate of Lessee, directly conducts any business from the Premises and/or Improvements that, if conducted by a third party Sublessee, would generate Gross Rent Revenues under this subsection 4.2.2.1, then Gross Rent Revenues shall be deemed to include the Gross Rent Revenues that Lessee would have received from a third party Sublessee if the portion of the Premises and/or Improvements used or occupied for such purposes had been leased by Lessee to a third party Sublessee on fair market rental terms.

4.2.2.2 Gross Receipts. Lessee shall be obligated to pay to County the following respective percentages of Gross Receipts (as defined below) from or with respect to the following activities on, or uses of, the Premises or Improvements:

I. THREE AND ONE-HALF PERCENT (3.5%) of Gross Receipts from the operation of a restaurant; for purposes hereof, the operation of a restaurant shall mean a business in which the primary use or operation is the sale of food, food products, alcoholic beverages and/or non-alcoholic beverages that are served on the Premises, or prepared or sold on the Premises and served off the Premises; provided, however, that the operation of a supermarket, grocery store, specialty food market, convenience food store or beverage store shall not be considered a restaurant, but instead shall be subject to the Percentage Rent provisions of subsection 4.2.2.1 above;

II. TWENTY-FIVE PERCENT (25%) of Gross Receipts payable to Lessee or a Sublessee in the form of commissions or other compensation by a third
party for the right to install or operate vending or service machines or devices, including without limitation, pay telephones, or for the right to supply cable, internet, satellite, telecommunication, parking (including, without limitation valet) or other services (“Other Services”), or FIVE PERCENT (5%) of any Gross Receipts generated by the operation of such vending or services machines that are owned by Lessee or a Sublessee, or for Gross Receipts received by Lessee or a Sublessee for the supply of such Other Services;

III. FIVE PERCENT (5%) of Gross Receipts from all other activities on the Premises other than the lease or occupancy of Improvements described in subsection 4.2.2.1 above or the activities described in paragraph I and II or this subsection 4.2.2.2.

“Gross Receipts” shall mean the gross amount of all money, receipts, sales price, fees, commissions, compensation, or other things of value, made or earned in connection with the operation of any business, use, occupation or any combination thereof, originating, transacted or performed, in whole or in part, on or in the Premises or the Improvements, by Lessee and/or all its assignees, Sublessees, licensees, permittees or concessionaires. In the calculation of Gross Receipts, the following provisions shall be applicable:

(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, insurance and taxes. Lessee shall be entitled to exclude from Gross Receipts the fees or charges paid to credit card companies in connection with customer purchases made by use of a credit card.

(2) Gross Receipts shall not include direct taxes imposed upon the consumer and collected therefrom, such as, without limitation, retail sales or excise taxes.

(3) Gross Receipts must include the customary charges for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees, less any discounts, allowances or adjustments made to customers on a bona fide arms-length basis. Bona fide bad debts qualifying under applicable federal income tax law as “bad debt” may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously deducted or not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

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

a. goods returned to suppliers or which are delivered for resale (as opposed to delivery) to another retail location or to a warehouse or to
any retailers without profit, where such returns or deliveries are made solely for the convenient operation of the business 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, but only to the extent that the sales relating to such merchandise were made in, about or from the Premises; provided that whenever a credit slip is accepted 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 stock in trade;

d. receipts from insurance claims other than rental interruption or business interruption insurance;

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

f. tips and gratuities paid to employees;

g. meals sold or given to employees of Tenant or complimentary meals offered for promotional purposes, but the amounts excluded under this paragraph (g) in connection with a particular business operation shall not exceed two percent (2%) of Gross Receipts from such business operation;

h. receipts from vending machines used solely by employees of the business operation;

i. interest or other charges paid by customers of Sublessees for the extension of credit; and

j. the sales of promotional items by Sublessees at cost.

It is understood that Article 3 of this Lease provides for the Permitted Uses of the Premises and that the percentage categories listed above are 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.

4.2.2.3 Other Activities. If Director determines that a percentage of Gross Rent Revenues or Gross Receipts is not applicable to 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.

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

4.2.2.5 Excess Payments Credit. If rent payments actually made by Lessee in a particular Lease Year exceed the total rentals actually due for that year as computed on an annual basis at the end of each Lease Year, Lessee shall be permitted to credit that excess amount ("Excess Percentage Rent Payment") against the succeeding monthly installments of Percentage Rent otherwise due under this subsection 4.2.2 until such time as the entire Excess Percentage Rent Payment has been recouped. If Lessee makes an Excess Percentage Rent Payment in the final Lease Year of the Term, County shall refund such amount to Lessee within thirty (30) days of its discovery and verification of such overpayment.

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

4.2.3 Adjustments to Annual Minimum Rent. As of the fifth (5th) anniversary of the Effective Date and each successive third (3rd) anniversary thereafter until the first Renegotiation Date, and thereafter each third (3rd), sixth (6th) and ninth (9th) anniversaries of each Renegotiation Date (each an "Adjustment Date" and collectively the "Adjustment Dates"), the Annual Minimum Rent shall be adjusted as provided in this subsection 4.2.3. The Annual Minimum Rent shall be adjusted as of each Adjustment Date to the amount which equals seventy five percent (75%) of the average of the total annual rent (i.e., the total Monthly Minimum Rent and Percentage Rent), payable by Lessee to County under Section 4.2 of this Lease during the thirty six (36) month period immediately preceding the Adjustment Date.

4.3 Extension Fee Installment Payments. In consideration of the extension of the Term as provided herein, Lessee shall be required to pay to County the Extension Fee Installment Payments described in Section 4.2 of the Option Agreement. The Extension Fee Installment Payments shall be considered as additional rent payable by Lessee under this lease.

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

4.4.1 Fair Market Rental Value. As used herein, “Fair Market Rental Value” shall mean, as of each Renegotiation Date, the Annual Minimum Rent and Percentage Rent, expressed as respective percentages of the Gross Rent Revenue and Gross Receipts categories enumerated in subsection 4.2.2, which the Premises would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and the respective tenant are dealing at arms length and neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings.

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

If Lessee fails to deliver the notice described in the first sentence of this subsection, setting forth Lessee’s determination of Fair Market Rental Value, and such failure continues for fifteen (15) days after receipt of written notice from County, then County shall submit its determination of Fair Market Rental Value to Lessee, and Lessee shall have fifteen (15) days to deliver to County written notice of Lessee’s agreement or disagreement with County’s determination. If Lessee fails to deliver notice of such disagreement, then County’s determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.
4.4.3 Negotiation of Fair Market Rental Value. If County (or Lessee, as the case may be) does so notify Lessee (or County, as the case may be) of its disagreement as provided in subsection 4.4.2, County and Lessee shall have sixty (60) days from the end of the applicable response period in which to agree upon the Fair Market Rental Value for the Premises. County and Lessee shall negotiate in good faith during said sixty (60) day period. If the parties do so agree, they shall promptly execute an amendment to this Lease setting forth the Fair Market Rental Value so jointly determined, to be effective upon the Renegotiation Date. Director shall be authorized to execute any such amendment on behalf of County. During the period of negotiation, Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to the obligation to pay to County Annual Minimum Rent and Percentage Rent at the level existing for the last year of the ten (10) year period then completed.

4.4.4 Arbitration. If County and Lessee fail to reach agreement during the sixty (60) day period set forth in subsection 4.4.3, then, unless the parties agree otherwise, the Fair Market Rental Value of the Premises shall be determined by arbitration as set forth in Article 16 of this Lease and the parties shall execute an amendment to this Lease setting forth the Fair Market Rental Value as determined by arbitration. In order to determine the Fair Market Rental Value of the Premises, the arbitrator shall take into consideration all of the terms, conditions and covenants of this Lease, the earning power and all of the factors and data relating to such value required or proper to be considered in determining the fair rental value of leaseholds under the laws of eminent domain in the State of California. During the period of arbitration, County and Lessee shall abide by all of the terms and conditions of this Lease, including but not limited to Lessee’s obligation to pay to County Annual Minimum Rent and Percentage Rent at then existing levels.

4.4.5 Retroactivity. In the event that, pursuant to subsections 4.4.3 or 4.4.4 hereof, the parties execute an amendment to this Lease setting forth the new Annual Minimum Rent and Percentage Rent based on 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. 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 shall 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 Percentage Rent paid by Lessee to County, for the period of time from the Renegotiation Date until the date of such payment. Lessee (with respect to overpayments) or County (with respect to underpayments) shall further be entitled to interest on each portion of such payment from each date on which the applicable rental payments were payable under this Lease to the date paid or credited, whichever is applicable, at the following rates:

(1) the interest rate applicable to the first six (6) months following the Renegotiation Date shall be equal to the average daily rate for the non-restricted funds held and invested by the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller (“County Pool Rate”); and,
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 one percent (1%) 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. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in subsection 4.2.2.4. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand. In the event any payment is not received by County within five (5) days after 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 within five (5) days after when due and payable. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County).

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 not described in clauses (a) or (b) of this subsection 4.6.1 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 (“Excluded Transfers”) shall not be deemed to create an obligation to pay County a Net Proceeds Share:

4.6.2.1 a transfer by any direct or indirect partner or member (as the case may be) of Lessee as of the Effective Date, to any other direct or indirect partner or member of Lessee as of the Effective Date, including in each case to or from a trust for the benefit of the immediate family (as defined in subsection 4.6.2.3 below) of such direct or indirect partner or member of Lessee;

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, as long as such transfer does not result in a Change of Control of Lessee or a change in the managing general partner of Lessee;

4.6.2.3 a transfer of ownership interests in Lessee or in constituent entities of Lessee (i) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor’s spouse, children, parents, siblings and grandchildren), (ii) to a trust for the benefit of a member of the immediate family of the transferor, or (iii) from such a trust to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this subsection 4.6.2.3 is the result of gift, devise, intestate succession or operation of law;

4.6.2.4 a transfer of a beneficial interest resulting from public trading in the stock or securities of an entity, where such entity is a corporation 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;

4.6.2.5 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;

4.6.2.6 any transfer resulting from a Condemnation by County; or

4.6.2.7 the transfer of a membership or partnership interest in Lessee to a bankruptcy remote entity (including changing the manager of Lessee’s limited liability company to a bankruptcy remote entity) for financing purposes, provided that there is no change in the beneficial ownership of Lessee and its constituent partners or members.

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 Effective Date, (b) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County.

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 Lessee’s interest in this Lease or a Major Sublease, or a Major Sublessee’s interest in a Major Sublease, whichever is appropriate, regardless of the form of such ownership and regardless of whether such interests are owned through corporations, trusts, partnerships, limited liability companies or layers thereof; provided, however, that if an entity with an ownership interest in the Lease or a Major Sublease 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 in this Lease or a Major Sublease, as appropriate, and the owners of such entity shall not be treated as the ultimate owners of such beneficial interest.

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

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

4.7 Calculation and Payment. A deposit of Fifteen Thousand and 00/100 Dollars ($15,000) toward the Administrative Charge shall be due and payable upon Lessee’s notification to County of the proposed Change of Ownership 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) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs (as described in subsection 4.8.4), if any, which may result from the payment of such Net Proceeds Share (“Calculation Notice”). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County’s agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. Failure of County to approve the Calculation Notice in writing within such thirty (30) day period shall be deemed to constitute County’s disapproval thereof. Failing mutual agreement within thirty (30) days after the expiration of said thirty (30) day period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs (as described in subsection 4.8.4), 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 latest of (a) the Effective Date, (b) the date of the execution of this
Lease (or a Major Sublease) by Lessee, (c) 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 (d) the date which is twelve
(12) months prior to the transfer which constitutes the Change of Ownership.

4.7.2 Purchase Money Notes/Stock Consideration. 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”), the Net Proceeds Share shall
be payable by Lessee in cash at the time of the consummation of the transaction
notwithstanding the deferred nature of the consideration. In such case, the face amount
of the Purchase Money Note shall be treated as sale proceeds; provided that if the interest
rate on such Purchase Money Note is in excess of a market rate, then the value of such
note shall be increased to reflect such above-market rate. If the transferor of an interest
accepts stock or other non-cash consideration in payment of all or a portion of the
acquisition cost, the fair market value of the stock or other non-cash consideration shall
be treated as having been received in the form of cash.

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 (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), or (b) twenty percent (20%)
of the Net Transfer Proceeds from such transfer; provided, however, that with respect to a
Change of Ownership prior to the tenth (10th) anniversary of the Effective Date, if the Gross
Proceeds are less than 105.26% of the Applicable Costs, then the Net Proceeds Share shall be
calculated only in accordance with clause (b) above (i.e., the Net Proceeds Share shall be twenty
percent (20%) 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 percent (20%) of the Net
Refinancing Proceeds from such Financing Event. Notwithstanding any contrary provision of this Section 4.8, in the calculation of Net Transfer Proceeds and Net Refinancing Proceeds derived from a Change of Ownership or Financing Event, as applicable, pursuant to the remaining provisions of Section 4.8 below, there shall be no duplication of any amounts to be subtracted from the total consideration received in connection with such transaction, even if a particular amount qualifies for subtraction under more than one category.

4.8.1 **Transaction by Original Lessee.** In the case of a transfer by the original Lessee executing this Amended and Restated Lease Agreement (i.e., Marina Waterside, LLC, 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 that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred) (“Gross Proceeds”), less the sum of the following costs with respect to Lessee (but not its successors or assignees) (“Applicable Costs”):

4.8.1.1 Twenty-Four Million Three Hundred Thousand Dollars ($29,400,000.00) (the “Base Value”), together with the final actual hard and soft construction costs paid by Lessee in connection with the construction of the Redevelopment Work or other physical Improvements to the Premises in accordance with Article 5 herein (including any accrued developer fee not to exceed a fair market developer fee), whose costs have been submitted to Director within one hundred twenty (120) days after the completion of such Improvements and which costs shall have been approved in writing by Director, which approval shall not be unreasonably withheld (“Improvement Costs”). If by the date that is sixty (60) days after the completion of the Redevelopment Work (or other Improvements) the final amount of the Improvement Costs is not established because of a dispute or disputes between Lessee and its contractor(s), then Lessee shall note such dispute(s) in its submission of the Improvement Costs (including a description of the costs and the amounts under dispute). Lessee shall thereafter notify County in writing within thirty (30) days after the resolution of any such dispute as to any final adjustment required to the amount of the Improvement Costs to reflect the resolution of such dispute.

4.8.1.2 Commissions, title and escrow costs, documentary transfer taxes, lender fees and costs (including, without limitation, rate lock fees and prepayment fees) and other bona fide closing costs actually paid to third parties (including lenders) and documented to the reasonable satisfaction of Director, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share (collectively, “Documented Transaction Costs”).

4.8.1.3 That portion of the principal amount of any Financing Event after the Effective Date that constituted Net Refinancing Proceeds on which Lessee paid County a Net Proceeds Share.
4.8.2 Transfer by Lessee’s Successor. In the case of a transfer by a Lessee other than the original Lessee, “Net Transfer Proceeds” shall mean the Gross Proceeds received by that successor Lessee (but in the case of a transfer to a party affiliated with or otherwise related to the transferor that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred), minus the Applicable Costs. For purposes of this subsection 4.8.2, Applicable Costs shall mean the sum of the following with respect to such successor Lessee:

4.8.2.1 The greatest of (a) the sum of the Base Value plus any Improvement Costs incurred prior to such successor lessee’s acquisition of the leasehold, (b) the purchase price such successor paid to Lessee or such successor’s seller for the interest acquired, or (c) the principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share; plus

4.8.2.2 Improvement Costs actually paid by such successor Lessee after such successor Lessee’s acquisition of its leasehold interest in the Premises, and not subsequently repaid with Net Refinancing Proceeds, 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 with respect to which a percentage is passed through to County under any provision of this Lease (other than payment of Net Proceeds Share) shall be disregarded in the computation of Net Transfer Proceeds.

4.8.4 Other Transfers. With respect to any Change of Ownership 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 amounts described in either subsection 4.8.1.1 or subsections 4.8.2.1 and 4.8.2.2, as applicable, in determining Net Transfer Proceeds, 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 amounts described in subsection 4.8.1.1 or subsections 4.8.2.1 and 4.8.2.2, as applicable) shall be deducted. Furthermore, in the event that any such Change of Ownership produces a Net Proceeds Share, the then existing Improvement Costs shall be increased by an appropriate amount to reflect the gross amount on which such Net Proceeds Share was calculated, 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.
4.8.5 **Net Refinancing Proceeds.** “Net Refinancing Proceeds” shall mean the gross principal amount of any Financing Event after the Effective Date, minus (i) the greatest of (a) the Base Value, (b) the principal amount of Lessee’s existing financing as of the Effective Date or (c) the principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share, 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 **Transfers to which Sections 4.6 through 4.8 Apply.** The provisions of Sections 4.6 through 4.8 hereof shall apply to all transfers of beneficial interests in this Lease or a Major Sublease which constitute a Change of Ownership, unless such transfers are otherwise excluded pursuant to this Lease. Furthermore, the provisions of Sections 4.6 through 4.8 of this Lease, and the principles set forth therein, shall apply to any transfer or series of transfers which County can demonstrate was primarily structured for the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

4.8.7 **Payment.** Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such 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. Notwithstanding the foregoing, in the case of a Change of Ownership described in subsection 4.6.1(b), the Net Proceeds Share shall be payable to County as and when the Net Transfer Proceeds are received, with the Net Proceeds Share being equitably apportioned to the payments derived by Lessee from said Change of Ownership (other than any payments passed through to County under this Lease).

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

5. REDEVELOPMENT WORK; ALTERATIONS.

5.1 Redevelopment Work. Promptly following the Effective Date Lessee shall commence the performance of the renovation and construction work described in Exhibit B attached to this Lease (the "Renovation Plan"). The renovation and construction work described in the immediately preceding sentence is referred to herein as the "Redevelopment Work." Without limitation of the Redevelopment Work described on Exhibit B, the Redevelopment Work shall include the remodeling of the existing Ralphs market to operate as a Ralphs FreshFare or other then highest quality equivalent store concept of Ralphs or its successor (if applicable). Subject to the satisfaction of the Ralphs Conditions Precedent (as defined below), the Redevelopment Work shall also include an approximate 9,500 square foot expansion of the existing Ralphs market (the "Ralphs Expansion"), which expansion shall constitute an approximately 5,300 square foot net expansion of the overall Improvements located on the Premises. The Redevelopment Work shall be of a quality at least comparable to other first class shopping centers in West Los Angeles, the Courtyard at Calabasas, and the Encino/Hayvenhurst project (located at the Northeast corner of Ventura Boulevard and Hayvenhurst Avenue).

For purposes hereof, the "Ralphs Conditions Precedent" shall mean the Conditions Precedent set forth in Section 2 of Exhibit D of that certain Fifth Amendment to Lease dated August 14, 2003, between Lessee’s predecessor-in-interest, Carlisle Realty Holdings I, and Alpha Beta Company (the "Ralphs Lease Amendment"). Lessee shall comply with all of its obligations under the Ralphs Lease Amendment pertaining to the Ralphs Conditions Precedent, and shall otherwise use its best efforts to cause the satisfaction of the Ralphs Conditions Precedent not later than the date required for the satisfaction of such conditions precedent under the Ralphs Lease Amendment.

There shall be no changes, modifications or exceptions to the Renovation Plan, except as expressly approved in advance in writing by the Director. The design, layout, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Redevelopment Work shall be subject to County’s approval as set forth in this Section 5, and shall be subject to the receipt by Lessee of all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals. Lessee shall be solely responsible for all costs and expenses incurred in connection with the design, entitlement and construction of the Redevelopment Work. Lessee shall expend
not less than $8,865,000, including without limitation a development fee not to exceed six percent (6%) of construction costs, and including any contribution by or from Alpha Beta Company (the “Redevelopment Work Investment”), for the cost of the Redevelopment Work, which expenditures shall be subject to the verification and reasonable approval by County. If the Redevelopment Work includes the Ralphs Expansion, then the Redevelopment Work Investment shall be increased to $10,865,000, including funds contributed by Alpha Beta Company to the Ralphs Expansion.

Lessee shall comply with all of the time deadlines and schedules described in this Section 5 relating applicable to Lessee in connection with the completion of the design of the Redevelopment Work. Lessee’s failure to do so, if not cured within the applicable cure period set forth in subsection 13.1.2, shall constitute an Event of Default. All of the Redevelopment Work shall be substantially completed in accordance with the Final Plans and Specifications for the Redevelopment Work on or before that date (the “Required Completion Date”) which is two (2) years following the Effective Date. For purposes hereof, “substantial completion” shall mean that the Redevelopment Work is completed, subject to minor punch-list items that do not interfere with the full use and occupancy of the Improvements, as modified. All such punch-list items shall be completed within thirty (30) days after the substantial completion of the Redevelopment Work. Notwithstanding any contrary provision of this Section 5.1, if Lessee is delayed in the substantial completion of the Redevelopment Work due to Force Majeure or due to a County Delay (as defined below), then the Required Completion Date shall be extended by the period of such Force Majeure delay or County Delay; provided, however, that any such extension shall be limited to the period of such Force Majeure delay or County Delay, and no such delay shall be considered to have commenced until such time as Lessee shall have notified Director in writing of such delay; and provided, further, that the aggregate amount of extensions to the Required Completion Date due to Force Majeure delays shall not exceed two (2) years.

For purposes hereof, a “County Delay” shall mean County’s failure to comply with the time periods imposed upon County under this Article 5, except in the case where a failure of County to notify Lessee of its approval or disapproval of a matter constitutes County’s deemed approval of such matter, or constitutes County’s deemed disapproval of such matter and County’s disapproval of such matter is authorized under the circumstances. Following any deemed disapproval by Director of a submission by Lessee under this Article 5, 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.

Lessee acknowledges that the principal inducement to County to enter into this Amended and Restated Lease Agreement and to extend the Term as provided herein is the timely completion of the Redevelopment Work. In the event that Lessee fails to substantially complete the Redevelopment Work on or before the Required Completion Date (as such date may be extended as provided above), then in addition to any other right or remedy which County may have in connection therewith, this Lease shall be automatically amended such that the terms and provisions of this Lease revert back to the terms and provisions of the Existing Lease (including, without limitation, the Existing Expiration Date), as modified by the “Non-Exercise Amendment” described in the Option Agreement (the “Reversion Amendment”).

5.2 Application of Article 5 to Redevelopment Work. The remaining sections of this Article 5 pertain to the construction of the Redevelopment Work and to any other Alterations (as
defined below) which Lessee may be required or desire to make to the Premises during the Term, including without limitation, the Subsequent Renovations described in Section 5.9 below. For purposes of this Lease, Alterations shall mean the construction of any alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements. Both the Redevelopment Work and the Subsequent Renovations shall be considered to be Alterations. Accordingly, except as expressly provided in this Article 5, all of the terms and provisions of Article 5 of this Lease shall be applicable to the Redevelopment Work and the Subsequent Renovations.

5.3 Plans and Specifications for Alterations. Lessee shall make no Alterations without the prior written approval of the Director (except as expressly provided in Section 5.7 below). Prior and as a condition precedent to the construction of any Alterations, Lessee shall submit to Director, for Director’s approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations (except to the extent such submittals and approvals have been previously completed with respect to Redevelopment Work pursuant to the Option Agreement). All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease.

5.3.1 Schematics and Narrative. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate 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. Failure of Director to approve such submission in writing within said sixty (60) day period shall be deemed disapproval of said submission. After approval of schematic plans (or subsequent approval of preliminary or final plans) by Director, if changes in such plans are required by conditions of approval of the Alterations imposed by the California Coastal Commission or other governmental agency having jurisdiction thereover, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove the changes required by the California Coastal Commission or other governmental agency, as appropriate, unless such changes materially prejudice County’s ability to enjoy the rights and benefits granted to County pursuant to this Lease.

5.3.2 Preliminary Plans and Specifications. As soon as practicable, but in no event later than sixty (60) days after Director’s approval of the materials submitted pursuant to subsection 5.3.1, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost estimates for the Alterations. The preliminary plans, outline specifications and construction cost estimate shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any 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 provided further, that together with the submission of the preliminary plans, outline specifications and construction cost estimates, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

“Pursuant to subsection 5.3.2 of the amended and restated lease agreement, if these materials contain no substantial changes 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.”

5.3.3 Final Plans and Specifications. As soon as practicable, but in no event later than ninety (90) days after approval of the preliminary plans, outline specifications and construction cost estimate (or when and to the extent appropriate, no later than ninety (90) days after final approval is obtained from the California Coastal Commission as to items either that were materially adversely restricted or changed if California Coastal Commission approval were not obtained for a related item), Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost statement for the Alterations, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost statement required by this Section with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any material difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove such submission, and Director may disapprove such submission on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved preliminary plans, outline specifications and construction cost estimates. Failure of Director to disapprove said materials within twenty one (21) days after Director’s receipt shall be deemed Director’s approval thereof; provided, however, that in the event that the final plans, detailed construction specifications and construction cost statement contain substantial changes from the preliminary plans, outline specifications and construction cost estimates, then Director shall have sixty (60) days in
which to approve said submission, which approval shall be deemed withheld if not
granted in writing within such sixty (60) day period; and provided further, that together
with the submission of the final plans, detailed construction specifications and
construction cost statement, Lessee must deliver to Director a transmittal letter containing
the following text prominently displayed in bold faced type:

"PURSUANT TO SUBSECTION 5.3.3 OF THE AMENDED AND
RESTATED LEASE AGREEMENT, IF THESE MATERIALS
CONTAIN NO SUBSTANTIAL CHANGES 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 Alterations
described in the approved final plans, specifications and costs (the "Final Plans and
Specifications") without the prior written approval of Director, which shall not be unreasonably
withheld.

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

5.4.1 Permits and Other Approvals. Lessee shall have received and furnished
the Department with copies of all permits, licenses and other governmental approvals
necessary for commencement of the Alterations.

5.4.2 Copies of Construction Contracts. Lessee shall have furnished County
with copies of any contract(s) entered into between Lessee and any general contractor(s)
employed for the purpose of constructing the Alterations.

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

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

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

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

5.4.4 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may provide any of the following alternative security: (i) a certificate of deposit, cash or United States governmental security, (ii) a letter of credit, or (iii) a Set Aside Letter from Lessee’s construction lender. The foregoing security shall be in an amount equal to one hundred percent (100%) of the construction contract price, and shall permit County to draw thereon to complete the construction of the Improvements if the same have not been completed by Lessee or if an Event of Default has occurred under this Lease. A condition precedent to Lessee’s right to provide the alternate security described in this subsection 5.4.4 shall be delivery by Lessee to County of an opinion of counsel from a law firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in subsection 5.4.3 above. Director shall have the authority, in his discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.4.5 Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its (and Alpha Beta Company, if applicable) having sufficient financial resources, as determined by Director, to complete the Alterations. 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.

5.5 Manner of Construction.
5.5.1 **General Construction Standards.** All construction, alteration, modification or repairs permitted herein shall be accomplished by Lessee with due diligence. Lessee shall take all reasonable steps to minimize any damage, disruption or inconvenience caused by such work and make adequate provisions for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal to or better than the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County, its employees or agents acting within the scope of their employment or agency relationship. Dust, noise and other effects of such work shall be controlled using accepted measures customarily utilized in order to control deleterious effects associated with construction projects in well populated and developed areas of Southern California.

5.5.2 **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.

5.5.3 **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.

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

5.5.5 **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 five (5) business days after demand by County.
5.5.6 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. Lessee shall have the right to have a representative present to accompany the representatives of the Department of Beaches and Harbors of the County in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

5.5.7 Notice of Completion. Upon completion of the Redevelopment Work or any other Alterations, Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the “Notice of Completion”) with respect to the Improvements and Lessee shall deliver to County, at no cost to County, two (2) sets of conoflex or mylar final as-built plans and specifications of the Improvements.

5.6 Use of Plans. Contracts between Lessee and any architect, design professional or licensed contractor in connection with the construction, alteration or modification of Improvements on the Premises shall provide, in form and content reasonably satisfactory to County, for the assignment thereof to County 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 be limited to the Premises, and 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.

5.7 Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.3) for Alterations (other than the Redevelopment Work) where all of the following conditions are satisfied: (i) the total cost of the project is less than One Hundred Twenty Five Thousand Dollars ($125,000), adjusted annually to reflect the increase or decrease in the ENR Index from and after the Effective Date (provided, however, that in no event shall such adjustment result in a reduction of the threshold for Director approval to less than One Hundred Twenty Five Thousand Dollars ($125,000)); (ii) none of the proposed construction activity is structural in nature; and (iii) none of the proposed construction, additions, modifications or changes affect or are visible from the exterior of the Premises; provided, however, that whenever Lessee makes or constructs or permits any improvements in or to the Premises, Lessee shall (a) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (b) furnish a copy of “as-built” plans upon completion of such work to County.
5.8 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.

5.8.1 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.

5.8.2 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. Lessee shall have the right to contest any such amount; provided, however, the entire expense of any such contest (including interest and penalties which may accrue) shall be the responsibility of Lessee.

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

In the event any lien is recorded, Lessee shall, within twenty (20) days after demand, furnish 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.

5.9 Subsequent Renovations. Lessee covenants that throughout the Term the Premises and all Improvements shall be maintained as a first class shopping center of a quality at least comparable to other first class shopping centers in the West Los Angeles area that are similar in size and nature to the Premises (the “Renovation Standard”). Such obligation shall include requisite upgrades to building facades, storefronts, signage, roofs, common area lighting, common area landscaping and irrigation systems, and common area vehicle parking and striping surfaces. Lessee shall be required to perform periodic renovations and upgrades of the Improvements meeting the Renovation Standard in accordance with the following schedule (each, a “Subsequent Renovation”). The construction of the first Subsequent Renovation shall be (i) commenced by Lessee not earlier than the seventeenth (17th) anniversary of the Effective
Date and not later than the eighteenth (18th) anniversary of the Effective Date, and (ii) completed by Lessee not later than the twentieth (20th) anniversary of the Effective Date. The construction of the second Subsequent Renovation shall be (i) commenced by Lessee not earlier than the thirty-second (32nd) anniversary of the Effective Date and not later than the thirty-fourth (34th) anniversary of the Effective Date, and (ii) completed by Lessee not later than the thirty-fifth (35th) anniversary of the Effective Date. The construction of the third Subsequent Renovation shall be (i) commenced by Lessee not earlier than the forty-seventh (47th) anniversary of the Effective Date and not later than the forty-ninth (49th) anniversary of the Effective Date, and (ii) completed by Lessee not later than the fiftieth (50th) anniversary of the Effective Date.

Prior to the commencement of construction of a Subsequent Renovation, Lessee shall submit to Director, for Director’s approval, a renovation plan for such Subsequent Renovation (a “Subsequent Renovation Plan”), which renovation plan shall (a) describe the proposed renovation work in comparable detail to the Renovation Plan described in Section 5.1 above, (b) include a design, governmental approval and construction schedule for the work described therein, (c) include a budget for all work costs, which budget shall be consistent with the Minimum Required Renovation Amount (as defined below) applicable to such Subsequent Renovation, and (d) address other matters as Director reasonably requests. The Subsequent Renovation Plan shall be submitted by Lessee to County not later than such date as, taking into consideration the approval periods described in this Section 5.9 and Section 5.3 above, and the estimated time required to obtain all necessary governmental approvals and permits, will permit the commencement by Lessee of the applicable Subsequent Renovation by the date required under this Section 5.9. Director shall have sixty (60) days within which to approve or disapprove the Subsequent Renovation Plan. Failure of Director to notify Lessee in writing of its approval or disapproval of the Subsequent Renovation Plan shall be deemed Director’s disapproval of the Subsequent Renovation Plan. Upon Director’s approval of the Renovation Plan, Lessee shall proceed to satisfy all conditions in this Article 5 to the commencement of the Subsequent Renovation and to commence and complete the Subsequent Renovation in accordance with the Subsequent Renovation Plan and the terms and conditions of this Article 5. Lessee’s failure to comply with the schedule approved by Director as part of Subsequent Renovation Plan and/or to meet the construction commencement and completion deadlines pertaining to the Subsequent Renovation set forth in this Section 5.9 shall, if not cured within the cure period set forth in subsection 13.1.2, constitute an Event of Default.

Notwithstanding the foregoing provisions of this Section 5.9, Lessee’s obligation to make Subsequent Renovations to comply with the Renovation Standard as set forth in this Section 5.9 shall not be applicable to the storefront, facade and/or signage of any individual Sublessee premises (including, without limitation, the Ralphs grocery store premises) that are subleased by Lessee to a national or regional tenant to the extent that Lessee does not have the authority under the applicable Sublease to make renovations, or to require the Sublessee to make renovations, to such facade, storefront and/or signage to permit Lessee to comply with the requirements of this Section 5.9; provided, however, that Lessee shall use commercially reasonable efforts to arrange for such Sublessees to perform, or permit the performance of, upgrades that would permit Lessee to comply with the requirements of this Section 5.9; and provided, further, that upon the expiration or earlier termination of any such Sublease Lessee shall be obligated to upgrade or cause to be upgraded such Sublease premises to meet the Renovation Standard.
Lessee shall be required to expend at least the Minimum Required Renovation Amount for the cost of each Subsequent Renovation. The Minimum Required Renovation Amount for each respective Subsequent Renovation shall be the following aggregate amounts corresponding to the period from the Effective Date of this Lease (or, in the case of the second or third Subsequent Renovation, from the date of the completion of the most recent Subsequent Renovation) until the completion of such Subsequent Renovation: (A) one and one half percent (1.5%) per year of Gross Rent Revenues and Gross Receipts for each of the first five (5) years after the Effective Date, and (B) two percent (2%) per year of the Gross Rent Revenues and Gross Receipts for each year thereafter during the remaining Term of the Lease. Lessee shall receive a credit against the Minimum Required Renovation Amount for capital expenditures made by Lessee after the tenth (10th) anniversary of the completion of the Redevelopment Work to meet the Renovation Standard and that are approved by Director for purposes of this Section 5.9. For purposes of calculating the Minimum Required Renovation Amount, Gross Rent Revenues from the Ralphs grocery store premises shall be excluded until the date of the expiration or earlier termination of the existing Sublease with Ralphs that is in effect as of the Effective Date. Only those Subsequent Renovation costs that are approved by Director in accordance with this Section 5.9 shall be considered in determining Lessee’s compliance with the requirements of this paragraph.

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 either (i) Improvements constituting more than twenty-five percent (25%) of the replacement cost of all of the Improvements on the Premises are taken by Condemnation, or (ii) a portion of the Premises is taken such that the parking ratio for the remaining Premises is reduced to less than 4.6 parking spaces per 1,000 square feet of the remaining Improvements and parking cannot reasonably be made available on the remaining portion of the Premises to meet the foregoing parking ratio. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the nature and extent of the taking and the probable amount of compensation have been determined. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease’s continuing in full force and effect, except that Annual Minimum Rent shall be abated pursuant to Section 6.5, below.

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

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a “Partial Taking”), the Annual Minimum Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Minimum Rent multiplied by the ratio of the fair market value of the portion of the Premises not so taken to the fair market value of the entire Premises immediately prior to the Partial Taking. Upon the next Adjustment Date, as described in subsection 4.2.3 above, if any, for the purposes of adjusting the Annual Minimum Rent, all Annual Minimum Rent and 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 which remains after the taking bears to the fair market value of the entire Premises immediately prior to the taking. If the parties cannot agree upon the appropriate Annual Minimum Rent, the matter shall be settled through arbitration in the manner set forth in Article 16 hereof. Any determinations of fair market value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the “income approach” or “income capitalization approach” to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the “Income Approach”). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent, shall remain in full force and effect.

6.6 Waiver of Code of Civil Procedure Section 1265.130. Each party waives the provisions of Code of Civil Procedure Section 1265.130 allowing either party to petition the Superior Court to terminate this Lease in the event of a Partial Taking of the Premises.
6.7 Payment of Award. Awards and other payments on account of a taking, less costs, fees and expenses incurred in the collection thereof ("Net Awards and Payments"), shall be applied as follows:

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

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

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

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

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

Second: There shall be paid to any Encumbrance Holder an amount equal to the sum of any unpaid principal amount of any Encumbrance secured by the Premises plus costs, expenses, and other sums due pursuant the loan documents, if any, and any interest accrued thereon, all as of the date on which such payment is made; and then
Third: There shall be paid to Lessee an amount equal to the value of Lessee’s interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

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

7. SECURITY DEPOSIT.

7.1 Amount and Use. Lessee shall deliver to and maintain with County a security deposit (the “Security Deposit”) in an amount equal to the sum of three (3) times the Monthly Minimum Rent in effect from time to time during the Term (i.e., adjusted to reflect any change in the Monthly Minimum Rent as of each Adjustment Date and Renegotiation Date). The Security Deposit shall secure Lessee’s obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover (a) delinquent rent not paid by Lessee within any applicable notice and cure period, and (b) any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. Lessee shall have the right to maintain the Security Deposit in form of cash or in the form of a certificate of deposit, letter of credit or other approved investment instrument acceptable to County with respect to form, content and issuer. As long as no Event of Default by Lessee exists under the Lease, Lessee shall be entitled to any interest or other earnings which are actually earned on any unapplied portions of the Security Deposit delivered to County in the form of a certificate of deposit or other approved investment instrument (as opposed to cash, on which Lessee shall not be entitled to interest). Provided that no Event of Default then exists under the Lease, at the end of each Lease Year Lessee shall be entitled to a credit for all unexpended interest accruing to Lessee’s benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

If as of the first Adjustment Date and each Adjustment Date thereafter there have been no Events of Default by Lessee during the preceding three (3) year period (i.e., at no time during such preceding three (3) year period did Lessee commit a breach under the Lease and fail to cure such breach within the applicable cure period set forth in Section 13.1 of this Lease), then effective as of such Adjustment Date the Security Deposit required to be maintained by Lessee until the next Adjustment Date shall be decreased to two (2) times the Monthly Minimum Rent then in effect.
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) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, and/or cause the issuer of any letter of credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said five (5) 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 indemnitor, Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its respective Boards, officers, agents and employees 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 or employees, 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 in connection with this Lease or the Premises, 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 pertaining to this Lease or the Premises. The obligation of Lessee to so relieve, indemnify, protect, and save harmless County and each of its respective Boards, officers, agents and employees shall continue during any periods of occupancy or of holding over by Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease.

9. INSURANCE.
Lessee shall maintain, or cause to be maintained, 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. 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 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 (exclusive of foundations), 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 and employees, as additional insureds and any Encumbrance Holder as loss payee. Upon the occurrence of any loss, the proceeds of such property 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 Effective Date, and such policy or policies shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business days prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.
In lieu of submitting a copy of the policy or policies evidencing the above insurance, Lessee may submit in a form reasonably acceptable to County a certificate of insurance.

Any 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, commercial general liability insurance together with premises operations, products, completed operations, advertising, independent contractor and contractual liability coverages, including liquor liability, with a combined single limit of not less than Ten Million Dollars ($10,000,000) per occurrence, Twenty Million Dollars ($20,000,000), annual 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 obtained by Lessee and filed with Director no later than five (5) business days after the Effective Date, and said policy shall provide that such insurance coverage shall not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least 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 shall be subject to renegotiation as of each fifth (5th) anniversary of the Effective Date (each, an “Insurance Renegotiation Date”). If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

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, canceled, reduced in coverage or in limits or materially changed without at least thirty (30) days prior written notice to County and all Encumbrance Holders or ten (10) business days in case of cancellation for failure to pay the premium;

(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 five (5) 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 within five (5) business days after 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 such reasonable rules and regulations regarding the use and occupancy of commercial projects in Marina del Rey (such as the Premises) as may be promulgated by County from time to time for general applicability on a non-discriminatory basis, 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, or cause to be kept and maintained, the Premises and all equipment, Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10. Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, and in compliance with the provisions of Article 5, to the extent applicable. 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 Article 5.

10.2 Maintenance Deficiencies. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under Section 10.1 above, then Lessee shall promptly commence the cure thereof and shall complete such cure within the time period for such cure set forth in the County’s deficiency notice, which cure period shall not be less than thirty (30) days except if the deficiency pertains to a condition that is a threat to health or safety or otherwise constitutes an emergency situation, in which case County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury. If Lessee fails to cure any such deficiency within the cure period set forth in County’s deficiency notice (which cure period shall comply with the requirements of the immediately preceding sentence of this Section 10.2), then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 of this Lease for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay to County an amount equal to One Hundred Dollars ($100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured; provided, however, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County’s notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will
effectuate the cure in as short a period as reasonably possible, then the cure period specified in County’s deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from the County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.2 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If a cited deficiency is not health or safety related and does not otherwise constitute an emergency, and if in the reasonable and good faith business judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to Director within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with Director, then Director shall have the right, in the exercise of Director’s discretion, to consider such contest. If Lessee’s contest is made on a reasonable and good faith basis, then the cure period for the deficiency notice shall be tolled during the period between the date Director receives written notice of such contest and continuing until Director notifies Lessee in writing that either Director denies Lessee’s contest or that Director has determined not to consider such contest. The One Hundred Dollars ($100) per diem amount set forth in this Section 10.2 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.2 within ten (10) days after written notice from County, then County shall have the right to draw on the Security Deposit to cover such unpaid amounts.

10.3 Option to Terminate Under Certain Circumstances. In the event of any damage to or destruction of the Premises, or any Improvements located thereon, Lessee shall, except as otherwise expressly provided in this Section 10.3, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.3, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5.

Notwithstanding the foregoing, provided that Lessee complies with all of the provisions of subsections 10.3.1 through 10.3.4 below, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises if (a) all or substantially all of the Improvements on the Premises are substantially damaged or destroyed and such damage or destruction resulted from a cause not insured against by Lessee and not required to be insured against by Lessee under this Lease (an “Uninsured Loss”), or (ii) during the last five (5) years of the Term the Improvements on the Premises are damaged or destroyed and the cost of repair and restoration exceeds twenty-five percent (25%) of the total replacement cost of all of the Improvements on the Premises immediately prior to the damage or destruction. The following shall be conditions precedent to Lessee’s right to terminate the Lease and be
relieved of the obligation to restore the Improvements on the Premises pursuant to this paragraph:

10.3.1 No more than one hundred (100) days following the date of the damage or destruction 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 10.3.1. 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.

10.3.2 Lessee shall assign to County and County shall be entitled to retain all insurance proceeds payable in connection with the event of damage or destruction, and, if requested by County Lessee shall, no more than sixty (60) days following the giving of the notice required by subsection 10.3.1 or such longer time as may be reasonable under the circumstances, remove all debris and other rubble from the Premises; secure the Premises against tresspassers, and, at County’s election, remove all remaining Improvements from the Premises so that the Premises are surrendered to County in the condition required under this Lease on the expiration or earlier termination thereof. If County shall require Lessee to demolish and remove from the Premises the remaining Improvements, County shall make available to Lessee any insurance proceeds received from Lessee’s insurance necessary to pay for the cost of such demolition and removal, but no shortfall in the amount of such insurance proceeds shall relieve Lessee of its obligations under this subsection 10.3.2.

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

10.3.4 Within ten (10) days following the County’s receipt of the notice referred to in subsection 10.3.1, County has not received a written notice from the Encumbrance Holder, if any, objecting to such termination or 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.

10.4 No Option to Terminate for Other Casualty. Except as expressly provided in Section 10.3 above, Lessee shall have no option to terminate this Lease or otherwise be relieved of its obligation to restore the Improvements on the Premises in the case of any damage to or destruction of the Premises or the Improvements located thereon.
10.5  **No County Obligation to Make Repairs.** County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises.

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

10.7  **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.

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

10.9  **Waiver of Civil Code Sections.** The parties’ rights shall be governed by this Lease in the event of damage or destruction. The parties hereby waive the provisions of California Civil Code Section 1932 and any other provisions of law which provide for contrary or additional rights.

11.  **ASSIGNMENT AND SUBLEASE.**

11.1  **Subleases.**

11.1.1  **Definition.** The term “Sublease” shall mean any lease, license, permit, concession or other interest in the Premises (including, without limitation, the Improvements), or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee’s interest under this Lease. “Sublessee” shall be the person or entity to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess or use all or substantially all of the Premises is sometimes referred to in this Lease as a “Major Sublease” and the Sublessee under such agreement is sometimes referred to in this Lease as a “Major Sublessee”.

11.1.2  **Approval Required.** At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease, or 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. 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 comparable retail facilities such as exist on the Premises. In light of the inherent detailed nature of a Major Sublease, Lessee shall deliver to County a copy of any proposed Major Sublease, or any sub-sublease or any other document pursuant to which an interest is proposed to be transferred in all or substantially all of the Premises, not less than sixty (60) days prior to the proposed effective date of such proposed Major Sublease or other document, for County’s review and approval pursuant to the procedures and requirements specified in Section 11.2.

11.1.4 **Recognition Agreements.** Subject to the terms and conditions set forth in this subsection 11.1.4, upon Lessee’s written request concurrent with Lessee’s written request for County’s approval of a Qualifying Sublease (as defined below), County agrees to execute a recognition agreement (“Recognition Agreement”) with respect to such Qualifying Sublease. Such Recognition Agreement shall provide that if this Lease is terminated due to an Event of Default by Lessee that County will recognize such Qualifying Sublease as a direct lease between County and the Sublessee thereunder, subject to the terms and conditions of this subsection 11.1.4. “Qualifying Sublease” shall mean (a) a Major Sublease; (b) a Sublease pertaining to five thousand (5,000) or more gross leasable square feet in the Improvements; or (c) up to ten (10) other Subleases in effect at any one time that individually pertain to less than five thousand (5,000) square feet and in which the Sublessee is a national or regional tenant.

County’s obligation to enter into a Recognition Agreement with respect to a Qualifying Sublease shall be subject to the following terms and conditions: (i) the Sublessee shall be a tenant that meets the requirements of Lessee and other landlords of comparable first class retail shopping center projects with regard to financial creditworthiness, reputation and experience; (ii) the rent and other terms and conditions of the Qualifying Sublease shall be consistent with the prevailing market rents and other terms and conditions of similar tenant leases at comparable first class retail shopping center projects; (iii) County shall not be liable under the Qualifying Sublease for any act or omission of Lessee, and County shall be responsible for performing only those obligations of Lessee accruing after the date of the termination of this Lease and County’s reacquisition of possession of the Premises; (iv) County shall not be subject to any offsets or defenses that the Sublessee may have against Lessee; (v) the Sublessee shall not be entitled to a credit for any rent or other amounts that may have been paid by Sublessee to Lessee; (vi) County shall have no obligation to make or pay for any improvements (including without limitation any tenant improvement allowance), commissions, lease takeover payments, or other tenant concession payments due in connection with the Qualifying Sublease, nor may any such amounts be offset against rent payable under the Qualifying Sublease; (vii) the Sublessee shall make full and complete attornment to County as landlord, pursuant to a written agreement in form acceptable to County and executed by County and the Sublessee, so as to establish privity of contract between County and the Sublessee with the same force and effect as though the Sublease was originally made directly between County and the Sublessee; (viii) County shall not be bound by or obligated to perform any terms or conditions of the Qualifying Sublease that are inconsistent with the terms or conditions of this Lease or that increase County’s obligations under this Lease; (ix) if the term of the Qualifying
Sublease, including extension options, is longer than twenty (20) years, then County shall have the right to approve the terms and conditions, including rental rate, of the Qualifying Sublease; (x) as of the date of the termination of this Lease the Sublessee shall not be in breach or default of the Qualifying Sublease (after notice and the lapse of any applicable grace or cure period); (xi) the Sublessee shall not be a person or entity that is directly or indirectly affiliated with Lessee; and (xii) the term of the Qualifying Sublease shall not extend beyond the scheduled Term of this Lease.

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 described in Exhibit C hereto, which is incorporated herein by this reference ("Assignment Standards"), either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein (including without limitation the right to manage or otherwise operate the Improvements located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of all or substantially all of the Premises. Any Change of Ownership that is not an Excluded Transfer under subsection 4.6.2 shall constitute an assignment of Lessee’s interest under this Lease. In addition, for purposes of this provision, the following shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (b) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; (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 or managing member of a partnership or limited liability entity 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.

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

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any interest therein shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.
11.2.3 **Procedure.** Requests for approval of any proposed assignment shall be processed in accordance with the following procedures:

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

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

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

11.2.3.4 Lessee shall be required to reimburse County for County’s Actual Costs incurred in connection with the proposed assignment, 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.

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

(a) **Nature of the Assignee.** Full disclosure is required in accordance with this Lease and County’s applicant disclosure policy then in effect. Additionally, a flowchart identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County’s disclosure policy, has had any leasehold or concessionaire’s interest canceled or terminated by the landlord due to the tenant or Lessee’s breach or default thereunder;
(b) **Financial Condition of Assignee.** County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee’s financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) **Financial Analysis.** County shall be provided with the proposed assignee’s financing plan for the operation of the Premises 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) **Assignor’s Financial Statements.** County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

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

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

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

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

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

11.2.4 County Right to Recapture. If Lessee proposes to assign its interest in this Lease or the Premises, proposes to enter into any Major Sublease affecting the Premises or proposes to transfer a Controlling Interest in the leasehold (with any such proposed transaction herein referred to as a “Proposed Transfer”), it shall provide County with written notice of such desire, which notice shall include the sale price (“Lessee Sale Price”) at which it is willing to consummate the Proposed Transfer. For purposes hereof, a “Controlling Interest” in the leasehold shall mean seventy five percent (75%) or more of the direct or indirect beneficial ownership of the capital and profits interests in Lessee. Within thirty (30) days after receipt of Lessee’s notice of a Proposed Transfer, County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said thirty (30) day period, Lessee may continue to market the interest subject to the Proposed Transfer, provided that such interest is offered subject to County’s rights as provided herein. In the event that, prior to the expiration of said thirty (30) day period, County has given notice to Lessee that it has elected to acquire said option, County shall have an assignable option to purchase the interest subject to the Proposed Transfer (“County Option”) at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months from the date of County’s notice of its election to acquire such option. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County.

In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, then County shall pay to Lessee within thirty (30) days of the expiration of the County Option period (or, at County’s election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum
(the "County Option Price") which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County's election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to acquire the County Option within said thirty (30) day period, or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then during the ensuing nine (9) month period after the date (the "Trigger Date") which is the earlier of such notice or the expiration of such thirty (30) day period, Lessee shall be entitled to enter into an agreement with a third party for the Proposed Transfer (subject to County's approval rights as otherwise set forth in this Lease) so long as (1) the Proposed Transfer price is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material other terms than those offered to County, and (2) the closing of the Proposed Transfer is actually consummated within twelve (12) months after the Trigger Date (which twelve (12) month period shall be extended to the extent the closing is delayed due to a delay by County in approving the transaction within sixty (60) days after County has received a notice from Lessee requesting County's approval of such transaction and all information required by County under this Lease to permit County to evaluate the transaction).

In the event of a proposed Major Sublease or other permitted assignment of less than all of the Premises, County's election shall pertain to such portion of the Premises which is the subject of the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced (based on the projected decrease in the Percentage Rent that will be payable under this Lease after the recapture) 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. Notwithstanding any contrary provision hereof, County's rights pursuant to this subsection 11.2.4 shall not apply to (I) Financing Events, or (II) those events identified in subsection 4.6.2 of this Lease.

11.2.5 County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent, Percentage Rent, and all other amounts payable under the Lease, if any, 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, as reasonably estimated 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 Rent, Percentage Rent, and other amounts payable under the Lease. Upon the final determination of any amount that was the subject of an estimate as provided above, County or Lessee, as the case may be, shall within thirty (30) days after such determination, return or pay to the other party the amount, if any, by which such estimate was in excess of, or less than, the final determination. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

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

12. ENCUMBRANCES.

12.1 Financing Events.

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

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

12.2 Consent Requirements in the Event of a Foreclosure Transfer.

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

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

12.2.3 Subsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of this Lease or the Ownership Interests (as applicable) by such Encumbrance Holder to any third party, (i) County's consent to such transfer shall be required, but shall not be unreasonably withheld or delayed, and the scope of such consent (notwithstanding anything in this Lease to the contrary) shall be limited to County's confirmation (which must be reasonable) that the Lessee following such transfer has sufficient financial capability to perform its remaining obligations under this Lease as they come due, along with any obligation of Lessee for which the Foreclosure Transferee from whom its receives such transfer is released under subsection 12.3.1 below, and (ii) such transferee (other than a transferee of Ownership Interests) shall expressly agree in writing to assume and to perform all of the obligations under this Lease, other than Excluded Defaults (as defined below). For clarification purposes, the right to a single transfer under this Section shall apply to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, so that there may be more than one "single transfer" under this Section.

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

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

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is a pre-existing incurable non-monetary default, or (ii) is a non-monetary default that can only be cured by a prior lessee (collectively, "Excluded Defaults"), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Section 12.3.7 below, following any Foreclosure Transfer which is a transfer of Ownership Interests, the foregoing rights under this Section 12.3.3 shall also inure to the benefit of the Lessee.

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

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

12.3.6 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.
12.4 No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Minimum Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

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

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

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

12.6.2 Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 10.2 in the case of emergency situations), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.2.
12.6.3 **Manner of Curing Default.** Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

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

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

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

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such
cure until completed in the same manner as provided in subsection (a) above. The
Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and
the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

12.7 New Lease.

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

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

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

12.9 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances.

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

12.11 Rights of Encumbrance Holders With Respect to Reversion. As used in this Section 12.11, the "Reversion" refers to the automatic amendment of this Lease described in Section 5.1 whereby the terms and conditions of this Lease are automatically amended and revert back to the terms and provisions of the Existing Lease, as modified by the Reversion Amendment, due to the failure of Lessee to substantially complete the Redevelopment Work on or before the Required Completion Date (as such dates may be extended as provided in Section 5.1) (the "Reversion Condition"). Notwithstanding anything in Section 5.1 to the contrary, so long as an Encumbrance Holder exists with respect to Lessee's entire leasehold interest in this Lease, the Reversion shall not occur unless and until (i) the County has given written notice of the occurrence of the Reversion Condition to each such Encumbrance Holder (which notice shall include the following statement in all capital and bold letters: "YOUR FAILURE TO COMMENCE A CURE OF THE DEFAULT DESCRIBE IN THIS NOTICE WITHIN 60 DAYS OF YOUR RECEIPT OF THIS NOTICE, AND TO THEREAFTER PURSUE SUCH CURE TO COMPLETION IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION 12.6.3(b) OF THE LEASE APPLICABLE TO NONMONETARY DEFAULTS, WILL RESULT IN AN AUTOMATIC AMENDMENT AND REVERSION OF THE TERMS OF THE LEASE AS MORE PARTICULARLY DESCRIBED IN SECTION 5.1 OF THE LEASE"), and (ii) no such Encumbrance Holder commences a cure of the default within 60 days of its receipt of such notice and thereafter pursues such cure to completion in accordance with the provisions of subsection 12.6.3(b) of the Lease applicable to nonmonetary defaults. Further, in the event that a Reversion occurs, such Reversion shall subject to the "new lease" provisions of Section 12.7 of the Lease (and in such event the Reversion shall be deemed a "termination" of this Lease solely for purposes of Section 12.7 and the "new lease" to be entered into pursuant to Section 12.7 shall mean a new lease on the same terms as this Lease, not the Existing Lease).
13. **DEFAULT.**

13.1 **Events of Default.** The following are deemed to be "Events of Default" hereunder:

13.1.1 **Monetary Defaults.** The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, deposits to the Subsequent Renovations Fund), within five (5) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, within such five (5) day period.

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) days after written notice of such failure, if no other notice of such failure is otherwise required hereunder.

13.1.3 **Maintenance of Security Deposit.** The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 8 of this Lease if not cured within five (5) days after 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 five (35) days after written notice of Lessee’s failure to perform from Director; provided, however, that where Lessee’s performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time.

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 five (35) days, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease. Notwithstanding the foregoing, if a the default described in the immediately preceding sentence is cause by the discontinuance by a Sublessee of the use of a portion of the Premises, then as long as Lessee diligently enforces its right under the Sublease and uses its best efforts to cause the recommencement of business in the applicable portion of the Premises as soon as possible, then the thirty five (35) day period described in the first sentence of this subsection 13.1.5 shall be increased to ninety (90) days.
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 or reversal of such process, order, or decree or is attempting to remedy such other circumstances preventing its performance.

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

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

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

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

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:
13.4.1 **Unpaid Rent.** The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

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

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

13.5 **Others’ Right to Cure Lessee’s Default.** County (and any Encumbrance Holder or Major Sublessee, as provided in the last sentence of this section), at any time after Lessee’s failure to perform any covenant, condition or agreement contained herein beyond any applicable notice and cure period, may cure such failure at Lessee’s cost and expense. If, after delivering to Lessee two (2) or more written notices within a ten (10) year with respect to any such default, County at any time during such ten (10) year period, by reason of Lessee’s continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars ($1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee’s default prior to County’s expenditure of any amounts thereon.

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

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

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

Lessee shall cause to be implemented point of sale systems which can accurately verify all sales for audit purposes and customer review purposes, which system shall be submitted to the Director in advance of installation for his approval, which approval or disapproval shall be given within a reasonable time, and shall 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.

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 thirty six (36) 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 and normal business hours during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

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

14.6 Accounting Year. The term “Accounting Year” as used herein shall mean each calendar year during the Term.

14.7 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, or at Lessee’s election, after the completion of Lessee’s fiscal year, Lessee shall furnish for each such year hereunder certified statements of Gross Receipts and Gross Rent Revenue (including a breakdown by percentage rent category) and Permitted Capital Expenditures, if applicable hereunder, prepared by a Certified Public Accountant who is a member of the America Institute of Certified Public Accountants and is satisfactory to County. 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.

14.8 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, to the extent that the Gross Receipts of such Sublessees, licensees and concessionaires are relevant to the calculation of Percentage Rent under this Lease.

14.9 Inadequacy of Records. In the event that Lessee or its Sublessees, licensees or concessionaires, as appropriate, fails to maintain the records required by this Article 14 such that a Certified Public Accountant is unable to issue an opinion as to Gross Receipts without a qualification regarding the failure of such records to be maintained, such failure to maintain the records required hereunder 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 (subject to the limitations of this Section 14.9 pertaining to a Sublessee Breach, as defined below), County may prepare a calculation of the Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past
Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other commercially reasonable method as determined by Director. Within five (5) business days after receipt of County’s determination of Percentage Rent due, if any, Lessee shall pay such Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County’s Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due. Lessee may cure the failure of any Sublessees, licensees or concessionaires to keep the records required by this Article 14 (a “Sublessee Breach”) by paying to County the amount of County’s estimate of Percentage Rent due as determined above, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County’s Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due, within five (5) days after receipt of County’s determination of such Percentage Rent due. As long as Lessee cures a Sublessee Breach as provided above, such cure shall be County’s sole remedy for the Sublessee Breach.

15. MISCELLANEOUS.

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

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

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it. The parties acknowledge that Lessee has prior to or concurrent with the execution and delivery of this Lease paid to County the aggregate sum of Ninety Seven Thousand Nine Hundred Thirty-Four Dollars ($97,934.00) toward those costs. County shall deliver to Lessee a report detailing any additional expenditures within ninety (90) days after the Effective Date.

15.4 County Disclosure and Lessee’s Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 “AS IS”. Lessee acknowledges that it is currently in possession of the Premises and that Lessee or its predecessor-in-interest has continuously occupied and/or managed and operated the Premises since 1964. Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has
performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises “AS IS”.

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

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument.

15.4.1.4 California Civil Code Section 1542 provides as follows:

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

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

Lessee’s Initials

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

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent and Percentage Rent rates in effect at the end of the Term shall be increased to one hundred fifty percent (150%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over
shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

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

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

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

15.8 Authorized Right of Entry. In any and all cases in which provision is made herein for termination of this Lease, or for exercise by County of right of entry or re-entry upon the Premises, 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 under this Section 15.8, and the removal of persons and property and storage of such property by
County and its agents, except to the extent caused by the gross negligence or willful misconduct of County, its agents or employees.

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

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

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

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested 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: Marina Waterside, LLC
101 The Grove Drive
Los Angeles, California 90036
Attn: Rick J. Caruso and Rick Moses
Phone: 323/900-8100
Fax: 323/900-8101

With a Copy to: Jeffrey E. Donfeld, Esq.
Donfeld, Kelley & Rollman
11845 W. Olympic Boulevard, Suite 1245
Los Angeles, California 90064
Phone: 310/312-8080
Fax: 310/312-8014

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

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

15.13 Attorneys’ Fees. In the event of any action, proceeding or arbitration arising out of or in connection with this Lease, whether or not pursued to judgment, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and reasonable attorneys’ fees, including without limitation attorneys’ fees for County Counsel’s services where County is represented by the County Counsel and is the prevailing party, and also including all fees, costs and expenses incurred in executing, perfecting, enforcing and collecting any judgment.
15.14 **Amendments.** This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease.

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

15.16 **Time For County Action.** Notwithstanding anything to the contrary contained in this Lease, wherever Director determines that a County action required hereunder necessitates approval from or a vote of one or more of County’s boards or commissions or County’s Board of Supervisors, the time period for County performance of such action shall be extended as is necessary in order to secure such approval or vote, and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

15.17 **Estoppel Certificates.** Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); 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). Prospective purchasers, Major Sublessees and lenders may rely on such statements.

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

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

16. **ARBITRATION.**

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

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

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

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

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

16.3 **Scope of Arbitration.** County and Lessee affirm that the mutual objective of such
arbitration is to resolve the dispute as expeditiously as possible. The arbitration process shall not
apply or be used to determine issues other than (i) those presented to the arbitrator by the
Initiating Party provided those disputes are arbitrable disputes pursuant to this Lease, (ii)
Additional Disputes presented to the arbitrator by the Responding Party, provided that any such
Additional Disputes constitute arbitrable disputes pursuant to this Lease and (iii) such related
preliminary or procedural issues as are necessary to resolve (i) and/or (ii) above. The arbitrator
shall render an award. Either party may, at its sole cost and expense, request a statement of
decision explaining the arbitrator’s reasoning which shall be in such detail as the arbitrator may
determine. Unless otherwise expressly agreed by the parties in writing, the award shall be made
by the arbitrator no later than the sooner of six (6) months after the date on which the arbitrator is selected by mutual agreement or court order, whichever is applicable, or five (5) months after the date of a denial of a petition to disqualify a potential arbitrator for cause. County and Lessee hereby instruct the arbitrator to take any and all actions deemed reasonably necessary, appropriate or prudent to ensure the issuance of an award within such period. Notwithstanding the foregoing, failure to complete the arbitration process within such period shall not render such arbitration or any determination made therein void or voidable; however, at any time after the expiration of the foregoing five (5) or six (6) month periods, as applicable, either party may deliver written notice to the arbitrator and the other party either terminating the arbitration or declaring such party’s intent to terminate the arbitration if the award is not issued within a specified number of days after delivery of such notice. If the arbitrator’s award is not issued prior to the expiration of said specified period, the arbitration shall be terminated and the parties shall recommence arbitration proceedings pursuant to this Article 16.

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

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

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

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

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

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

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

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.
(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party’s Statement of Position ("Reply"). The Reply shall contain the following information:

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

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

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

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

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

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

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

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

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party’s position and the amount of each cost which the party believes should be allowed or disallowed.
16.7 Written Appraisal Evidence. Neither party may, at any time during the proceedings, introduce any written report which expresses an opinion regarding Fair Market Rental Value or the fair market value of the Premises, or any portion thereof, ("Written Appraisal Evidence") unless such Written Appraisal Evidence substantially complies with the following standards: it shall describe the Premises; identify the uses permitted thereon; describe or take into consideration the terms, conditions and restrictions of this Lease; correlate the appraisal method(s) applied; discuss the relevant factors and data considered; review rentals paid by lessees in Marina del Rey and other marina locations within Southern California who are authorized to conduct similar activities on comparable leaseholds; and, describe the technique of analysis, limiting conditions and computations that were used in the formulation of the valuation opinion expressed. With respect to disputes regarding Fair Market Rental Value, such Written Appraisal Evidence shall express an opinion regarding the fair market rental value of the Premises as prescribed by Section 4.4.1. Written Appraisal Evidence in connection with disputes arising out of Article 6 of this Lease shall predicate any valuation conclusions contained therein on the Income Approach. Written Appraisal Evidence shall in all other respects be in material conformity and subject to the requirements of the Code of Professional Ethics and the Standards of Professional Practice of The Appraisal Institute or any successor entity.

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

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

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent,
expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a "Separate Dispute"). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party’s Statement of Position on one or more of the Separate Disputes, while selecting the other party’s Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.4 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. As long as the amendment accurately sets forth the relevant terms of the award and does not otherwise modify this Lease, Lessee will sign the amendment and return the executed copy to the County within seven (7) days after delivery of a copy of the amendment to Lessee. County shall thereafter execute the amendment as soon as reasonably practicable.

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

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

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

16.15 Notice.

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

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

[Signatures]
Initials of Lessee

Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

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

17.2 Tense; Gender; Number; Person. Words used in this Lease in the present tense include the future as well as the present; words used in the masculine gender include the feminine and neutral and the neutral 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.

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 draftsperson shall not apply to this Lease.

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

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

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

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

SIGNATURES ON FOLLOWING PAGE
IN WITNESS WHEREOF, County and Lessee have entered into this Lease as of the Effective Date.

THE COUNTY OF LOS ANGELES

By: 
Chairman, Board of Supervisors

MARINA WATERSIDE, LLC, a California limited liability company

By: 
Rick J. Caruso, Manager

APPROVED AS TO FORM:

OFFICE OF COUNTY COUNSEL

By: 
Deputy

ATTEST:

VIOLET VARONA-LUKENS, 
Executive Officer of the Board of Supervisors

By: 
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: