

**AMENDED AND RESTATED LEASE AGREEMENT**

by and between

County of Los Angeles

and

Esprit One LLC

(Parcel 12R--Lease No. 74728)

Dated as of December 29, 2003

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**AMENDED AND RESTATED LEASE AGREEMENT  
PARCEL 12R--MARINA DEL REY**

THIS AMENDED AND RESTATED LEASE AGREEMENT ("Lease") is made and entered into as of the 29<sup>th</sup> day of December, 2003 ("Effective Date"), by and between the COUNTY OF LOS ANGELES ("County"), and ESPRIT ONE LLC, a California limited liability company (together with its permitted successors and assigns, "Lessee").

WITNESSETH

WHEREAS, County and Deauville Marina Development Co. Ltd., a predecessor-in-interest to Marina Two Holding Partnership, a California limited partnership ("Marina Two") entered into Lease No. 6416 dated December 21, 1962 (as amended prior hereto, the "Original Lease") concerning the lease from County of that certain real property in the Marina del Rey Small Craft Harbor now commonly known as Parcel No. 12R and which is more specifically described on Exhibit A attached hereto and incorporated herein by this reference ("Premises"), the term of which Original Lease commenced with respect to the initial premises on January 1, 1963 and currently extends through December 31, 2022 (the "Original Term"); and

WHEREAS, County and Marina Two entered into that certain Option to Amend Lease Agreement (Option No. 72582) dated January 28, 2000 (the "Original Option Agreement"), pursuant to which County granted Marina Two an option (the "Option") to amend and restate the Original Lease in its entirety, upon the terms and conditions more specifically provided herein, including, without limitation, extending the term of the Lease; and

WHEREAS, subsequent to the date of the Original Option Agreement the leasehold interest of Marina Two under the Lease has been assigned to Lessee and Lessee is currently the holder of all right, title and interest of the lessee under the Original Lease; and

WHEREAS, County, Marina Two, Lessee and Esprit Two LLC, a California limited liability company ("Esprit Two") entered into that certain Amendment to and Assignment of Option to Amend Lease Agreements dated December 2, 2003 (the "Option Amendment") pursuant to which Marina Two assigned to Esprit One its rights under the Original Option Agreement with respect to the Original Lease and the parties amended the Original Option Agreement in certain respects; the Original Option Agreement, as amended by the Option Amendment, is herein referred to as the "Option Agreement;" and

WHEREAS, Lessee has exercised the Option with respect to the Original Lease 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 as follows:

1. BACKGROUND AND GENERAL.

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

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

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

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

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

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

1.1.6. "AFFILIATE" shall mean any person or entity which, directly or indirectly through one (1) or more intermediaries, controls or is controlled by or is under common control with another person or entity. The term "control" as used herein (including the terms "controlling", "controlled by", and "under common control with") means the possession, direct or indirect, of the power to (i) vote more than fifty percent (50%) of the outstanding voting securities of such person or entity, or (ii) otherwise direct management policies of such person by contract or otherwise.

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

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

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

1.1.10. "ANNUAL RENT" shall have the meaning set forth in subsection 2.3.1.4.

1.1.11. "ANTICIPATED COMMENCEMENT DATE" shall have the meaning set forth in subsection 5.5.1.

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

1.1.13. "APPLICABLE RATE" shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate, as defined in subsection 4.4.6, plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

1.1.14. "APPROVED APARTMENT/SLIP LEASE" shall have the meaning set forth in subsection 11.1.2.

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

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

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

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

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

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

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

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

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

1.1.24. "COMPLETION DATE" shall mean the date of receipt of the first Certificate of Occupancy (whether temporary or permanent) or other applicable governmental permit, certificate or approval for the legal occupancy of any apartment building constructed on the Premises as part of the Redevelopment Work pursuant to Article 5 of this Lease.

1.1.25. "CONSTRUCTION LENDER" shall mean the lender under the Construction Loan.

1.1.26. "CONSTRUCTION LOAN" shall mean the construction loan obtained by Lessee and approved by County to finance the construction of the Redevelopment Work on the Premises.

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

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

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

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

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

1.1.32. "COUNTY REMOVAL NOTICE" shall have the meaning set forth in subsection 2.6.2.

1.1.33. "CREDIT LIMIT" shall have the meaning set forth in subsection 2.3.1.2.

1.1.34. "CREDIT PERIOD" shall have the meaning set forth in Section 2.3.

1.1.35. "CUMULATIVE EXTENSION FEE CREDIT" shall have the meaning set forth in subsection 2.3.1.2.

1.1.36. "DEFERRAL INTEREST RATE" shall have the meaning set forth in Section 4.3.

1.1.37. "DEFERRAL PERIOD" shall have the meaning set forth in Section 4.3.

1.1.38. "DEFERRAL RENTAL AMOUNTS" shall have the meaning set forth in Section 4.3.

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

1.1.40. "DESIGN CONTROL BOARD" shall mean the Design Control Board of the Department of Beaches and Harbors of the County of Los Angeles.

1.1.41. "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.

1.1.42. "DISQUALIFICATION JUDGMENT" shall have the meaning set forth in subsection 16.15.1.

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

1.1.44. "EFFECTIVE DATE" shall mean the date set forth in the first preamble paragraph of this Lease, which shall be the date this Lease shall have been executed and delivered by both County and Lessee.

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

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

1.1.47. "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.

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

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

1.1.50. "EXCLUDED CONDITIONS" shall have the meaning set forth in subsection 1.2.3.

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

1.1.52. "EXTENDED TIME" shall have the meaning set forth in Section 15.15.

1.1.53. "EXTENSION FEE" shall have the meaning set forth in Section 2.2.

1.1.54. "EXTENSION FEE CREDIT" shall have the meaning set forth in subsection 2.3.1.3.

1.1.55. "EXTENSION FEE CREDIT DATE" shall have the meaning set forth in subsection 2.3.1.4.

1.1.56. "EXTENSION FEE INTEREST PAYMENTS" shall have the meaning set forth in Section 2.2.

1.1.57. "EXTENSION FEE PRINCIPAL PAYMENTS" shall have the meaning set forth in Section 2.2.



1.1.58. "EXTENSION PAYMENT" shall have the meaning set forth in Section 2.2 of this Lease.

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

1.1.60. "FAIR MARKET VALUE" shall mean the price at which a willing seller would sell and a willing buyer would buy, neither being under any compulsion to buy or sell, and both having full knowledge of all pertinent facts and circumstances.

1.1.61. "FINAL ALTERATION PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 5.2.3.

1.1.62. "FINAL COMPLETION CERTIFICATE" shall mean the estoppel certificate issued by County confirming the completion and acceptance of the Improvements on the Premises as set forth in Section 5.6.8.

1.1.63. "FINAL REDEVELOPMENT WORK PLANS AND SPECIFICATIONS" shall have the meaning set forth in Section 5.1.

1.1.64. "FINANCING DOCUMENTS" shall mean the note, loan agreement, deed of trust, security agreement and other documents executed by Lessee in favor of the Encumbrance Holder in connection with a Financing Event.

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

1.1.66. "FIRST ADJUSTMENT DATE" shall have the meaning set forth in subsection 4.2.3.

1.1.67. "FORCE MAJEURE" shall have the meaning set forth in subsection 5.5.2.

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

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

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

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

1.1.72. "INITIAL FINANCING EVENT" shall mean (i) the Construction Loan, and (ii) the initial permanent financing which takes out the Construction Loan, as long as

such permanent financing is closed and funded within one (1) year following the later of the Completion Date under this Lease and the Completion Date under the Parcel 15 Lease, but in no event later than one (1) year following the Outside Completion Date.

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

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

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

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

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

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

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

1.1.80. "LESSEE SALE PRICE" shall have the meaning set forth in subsection 11.2.4.

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

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

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

1.1.84. "NET PROCEEDS SHARE" shall have the meaning set forth in Section 4.6.

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

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

1.1.87. "NOTICE OF COMPLETION" shall have the meaning set forth in subsection 5.6.7.

1.1.88. "OPTION AGREEMENT" shall have the meaning set forth in the preamble to this Lease.

1.1.89. "OPTION PAYMENTS" shall have the meaning set forth in Section 2.2.

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

1.1.91. "ORIGINAL TERM" shall have the meaning set forth in the preamble to this Lease.

1.1.92. "OUT OF SERVICE" shall mean (i) in the case of the Residential Improvements, the period which (I) commences on the date that each of the following conditions has been satisfied: (A) Lessee has obtained a permit from County for the commencement of demolition of the Residential Improvements as part of the Redevelopment Work, (B) ninety (90) days have elapsed after Lessee has delivered a written notice to the Sublessees of the Residential Improvements requiring such Sublessees to vacate the Residential Improvements not later than the end of such ninety (90) day period, and (C) at least eighty five percent (85%) of the units in the Residential Improvements are vacant, and (II) terminates on the date that is ninety (90) days after the Completion Date, but in no event later than ninety (90) days after the Outside Completion Date; or (ii) in the case of the Slip Improvements, the period which (I) commences on the date that each of the following conditions has been satisfied: (A) Lessee has obtained any required governmental permit for the removal of the existing Slip Improvements as part of the Redevelopment Work, (B) ninety (90) days have elapsed after Lessee has delivered a written notice to the Sublessees of the Slip Improvements requiring such Sublessees to vacate the Slip Improvements not later than the end of such ninety (90) day period, and (C) at least eighty five percent (85%) of the units in the Slip Improvements are vacant and Lessee has installed an occupancy deterrent system for the Slip Improvements, and (II) terminates on the date that is ninety (90) days after the substantial completion of the Slip Improvements for use by boat anchorage patrons (including the receipt of any applicable governmental permit, certificate or approval for the legal use thereof), or the date that the first boat anchorage patron utilizes the new Slip Improvements, whichever is earlier, but in no event shall the Out of Service period for the Slip Improvements extend beyond the last day of the Out of Service period for the Residential Improvements.

1.1.93. "OUTSIDE COMPLETION DATE" shall mean the date that is sixty-six (66) months following the Effective Date.

1.1.94. "PARCEL 15 LEASE" shall mean that certain Amended and Restated Lease Agreement dated as of the Effective Date, between County and Esprit Two pertaining to the lease by County to Esprit Two of certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel 15U.

1.1.95. "PARCEL 15 LESSEE" shall mean the lessee under the Parcel 15 Lease.

1.1.96. "PARCEL 15 PREMISES" shall mean the premises leased under the Parcel 15 Lease.

1.1.97. "PAYMENT BOND" shall have the meaning set forth in subsection 5.3.3.2.

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

1.1.99. "PERFORMANCE BOND" shall have the meaning set forth in subsection 5.3.3.1.

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

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

1.1.102. "PRIME RATE" shall have the meaning set forth in subsection 4.4.5.

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

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

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

1.1.106. "REDEVELOPMENT MODIFICATIONS" shall have the meaning set forth in Section 5.1.

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

1.1.108. "REMAINING EXTENSION FEE" shall have the meaning set forth in Section 2.2.

1.1.109. "RENEGOTIATION DATES" shall have the meaning set forth in Section 4.4.

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

1.1.111. "RESIDENTIAL IMPROVEMENTS" shall mean the new residential apartment buildings to be constructed by Lessee as a part of the Redevelopment Work.

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

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

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

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

1.1.116. "SLIP IMPROVEMENTS" shall mean the new boat slips to be installed by Lessee as a part of the Redevelopment Work.

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

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

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

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

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

1.1.122. "SUBSTANTIAL COMMENCEMENT OF CONSTRUCTION" shall have the meaning set forth in subsection 5.5.1.

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

1.1.124. "THRESHOLD RENT" shall have the meaning set forth in subsection 2.3.1.5.

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

1.1.126. "TOTAL PAID RENT" shall have the meaning set forth in subsection 2.3.1.6.

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

1.1.128. "UNREASONABLE COUNTY ACT" shall have the meaning set forth in subsection 5.5.3.1.

1.1.129. "WRITTEN APPRAISAL EVIDENCE" shall have the meaning set forth in subsection 16.7.

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

1.2.1. As-Is. Lessee acknowledges that (1) it is currently in possession of the Premises, and (2) Lessee or its predecessors-in-interest have continuously occupied and/or managed and operated the Premises since December 26, 1984. Except as provided in subsections 1.2.2 and 1.2.3, Lessee shall continue its current lease of 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, undedicated 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, use and develop the Premises pursuant to the terms and conditions of this Lease.

1.2.3. Excluded Conditions. Notwithstanding anything to the contrary set forth herein, the terms and provisions of subsection 1.2.1 shall not be applicable to any sewer,

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

2. TERM.

2.1. Term. Unless terminated sooner in accordance with the provisions of this Lease, the term of this Lease shall be for the period commencing on January 1, 1963 and expiring at 11:59 p.m. on July 31, 2061 ("Term"). Each calendar year during the Term is referred to herein as a "Lease Year"; provided that the last Lease Year shall be a partial year consisting of the seven (7) month period commencing on January 1, 2061 and ending on July 31, 2061.

2.2. Extension Payments. In consideration for County's agreement to enter into this Lease and the Parcel 15 Lease, Lessee shall pay to County as hereinafter provided the aggregate principal sum of Three Million Two Hundred Thousand Dollars (\$3,200,000) (the "Extension Fee"). The option payments heretofore made to County under the Option Agreement (the "Option Payments") in the aggregate amount of Four Hundred Thousand Dollars (\$400,000) shall be credited against the Extension Fee. The remaining unpaid amount of the Extension Fee (i.e., \$2,800,000) (the "Remaining Extension Fee") shall be payable in ten (10) annual principal installments each in the amount of one-tenth (1/10) of the Remaining Extension Fee (each, an "Extension Fee Principal Payment"), together with interest on the unpaid balance of the Remaining Extension Fee from the Effective Date at the Prime Rate (each, an "Extension Fee Interest Payment"). Each annual Extension Fee Principal Payment and Extension Fee Interest Payment are collectively referred to as an "Extension Payment." The Extension Payments shall be payable on each of the first ten (10) anniversary dates of the Effective Date. The unpaid balance of the Extension Fee (including accrued interest thereon), may be prepaid, in whole or in part, at any time. Lessee acknowledges and agrees that Lessee and the Parcel 15 Lessee shall both be primarily, jointly and severally liable for the payment of the full amount of the Extension Fee (including, without limitation, the Extension Payments), and that any uncured failure to make (or cause to be made) an Extension Payment is acknowledged to be a monetary default of the terms and conditions of this Lease and shall give rise to County's remedies as set forth herein, including without limitation County's right to terminate this Lease. Upon the occurrence of an Event of Default, County shall have the right to declare the entire remaining unpaid Extension Fee (including accrued, but unpaid interest) immediately due and payable. The total Extension Fee for this Lease and the Parcel 15 Lease is \$3,200,000, and the obligation of the Lessee and the Parcel 15 Lessee under this Lease and the Parcel 15 Lease to pay the remaining unpaid amount of the Extension Fee (by payment of the Extension Payments) shall not be deemed to be an obligation to pay a separate \$3,200,000 Extension Fee for each of such leases.

If pursuant to Article 5 of this Lease this Lease is amended by the Reversion Amendment, then all amounts of the Extension Fee (including, without limitation, Extension Payments) that were due and payable prior to the execution of the Reversion Amendment shall remain due and payable by Lessee after the execution of the Reversion Amendment, and all amounts of the Extension Fee (including, without limitation, Extension Payments) that were paid by Lessee prior to the execution of the Reversion Amendment shall be non-refundable; provided, however, that after the execution of

the Reversion Amendment Lessee shall be released and relieved of the obligation to pay any further Extension Payments that would otherwise have been first due and payable after the execution of the Reversion Amendment. If the Parcel 15 Lease is amended pursuant to the Reversion Amendment described in the Parcel 15 Lease, but this Lease is not amended pursuant to the Reversion Amendment described in this Lease, then Lessee shall remain fully liable to pay the entire Extension Fee (including, without limitation, all remaining Extension Payments), and no such amendment of the Parcel 15 Lease shall affect or otherwise release or relieve Lessee from the obligation to make such remaining Extension Payments. The terms and provisions of this paragraph shall survive the amendment of this Lease pursuant to the Reversion Amendment.

2.3. Extension Fee Credits. Subject to and upon the terms and conditions set forth in this Section 2.3, Lessee may receive credits during the eight (8) year Credit Period (as defined below) for up to the amount, if any, by which the Total Paid Rent (as defined below) during the Credit Period exceeds the Threshold Rent (as defined below) for the Credit Period. For purposes hereof, the "Credit Period" shall mean the eight (8) year period commencing on the earlier of (i) the Completion Date under the Parcel 15 Lease, or (ii) the Outside Completion Date.

2.3.1. Definitions. For purposes of this Section 2.3, the terms set forth below shall have the following meanings:

2.3.1.1. "Annual Rent" shall mean for any twelve (12) month period, the aggregate sum of the Annual Minimum Rent, plus the Percentage Rent for such period in excess of the Annual Minimum Rent for such period, payable under both this Lease and the Parcel 15 Lease. During any period that the Annual Minimum Rent is abated pursuant to subsection 4.3.1, the Annual Rent shall mean the total Percentage Rent for such period. The Annual Rent shall include both the amounts payable under this Lease and the comparable amounts payable under the Parcel 15 Lease.

2.3.1.2. "Cumulative Extension Fee Credit" shall mean the positive amount, if any, as of an Extension Fee Credit Date, by which (i) the Total Paid Rent for the period from the commencement of the Credit Period through such Extension Fee Credit Date exceeds (ii) the aggregate Threshold Rent for the period from the commencement of the Credit Period through such Extension Fee Credit Date. Notwithstanding the foregoing, the aggregate Cumulative Extension Fee Credit under this Lease and the Parcel 15 Lease shall never exceed One Million Six Hundred Thousand Dollars (\$1,600,000) (the "Credit Limit").

2.3.1.3. "Extension Fee Credit" shall mean an amount equal to one of the following:

(i) prior to the first Extension Fee Credit Date for which the Cumulative Extension Fee Credit is greater than zero, the Extension Fee Credit shall be \$0;



(ii) for the first Extension Fee Credit Date for which the Cumulative Extension Fee Credit is greater than zero, the Extension Fee Credit shall be an amount equal to such Cumulative Extension Fee Credit; and

(iii) thereafter, the Extension Fee Credit for an Extension Fee Credit Date shall be the positive amount, if any, by which (a) the Cumulative Extension Fee Credit (but in no event shall the Cumulative Extension Fee Credit exceed the Credit Limit) for such Extension Fee Credit Date exceeds (b) the aggregate of all Extension Fee Credits (whether taken as rent credits, Extension Fee Payment Credits or Extension Fee principal reductions pursuant to subsection 2.3.2 below) for all previous Extension Fee Credit Dates.

2.3.1.4. "Extension Fee Credit Date" shall mean each of the first eight (8) anniversaries after the earlier of (i) the Completion Date under the Parcel 15 Lease, or (ii) the Outside Completion Date.

2.3.1.5. "Threshold Rent" for a period shall mean the cumulative, aggregate Annual Rent which would have been payable for such period if the aggregate Annual Rent for each year during such period was established to equal the product of (i) \$1,187,573.20 (i.e., the total Annual Rent payable under this Lease and the Parcel 15 Lease for calendar year 1998), adjusted on an annual basis by the percentage change in the Consumer Price Index from December, 1998 to the last month in each such year, multiplied by (ii) 1.5.

2.3.1.6. "Total Paid Rent" for a period shall mean the cumulative, aggregate Annual Rent actually paid under this Lease and the Parcel 15 Lease for such period (including any such rent against which Lessee applies an Extension Fee Credit under Section 2.3 of this Lease and the Parcel 15 Lease), plus all Percentage Rent which would have otherwise been payable under this Lease and the Parcel 15 Lease for such period, but which is deferred as a Deferred Rental Amount pursuant to Section 4.3 of each of this Lease and the Parcel 15 Lease (not including any interest payable on such Deferred Rental Amounts).

2.3.2. Application of Extension Fee Credits. Lessee shall be entitled to the Extension Fee Credit, if any, applicable as of each Extension Fee Credit Date. The Extension Fee Credit to which Lessee is entitled as of an Extension Fee Credit Date shall, at the election of Lessee made by written notice to County concurrent with the calculation of such Extension Fee Credit, be (a) applied as a credit against the next Annual Minimum Rent or Percentage Rent payable under this Lease and/or the Parcel 15 Lease, or (b) applied as a credit against the next Extension Fee Payment due under Section 2.2 above; provided that in no event shall any such rent credit elected by Lessee, in combination with the aggregate of all other rent credits applied pursuant to this Section 2.3 or Section 2.3 of the Parcel 15 Lease for previous Extension Fee Credit Dates, exceed the aggregate principal amounts (including the Option Payments and the Extension Fee Principal Payments, but not including any Extension Fee Interest Payments) of the Extension Fee then paid to date by Lessee pursuant to Section 2.2 above. Any amount of an Extension Fee Credit to which Lessee is entitled which Lessee is not permitted to apply as a rent credit due to the proviso in the immediately

preceding sentence shall, at the election of Lessee made by written notice to County concurrent with the calculation of such Extension Fee Credit, only be either (i) applied as a credit against the next Extension Fee Payment due under Section 2.2 above, or (ii) applied to reduce the then outstanding total unpaid principal balance of the Extension Fee described in Section 2.2. In the case of a reduction in the outstanding principal balance of the Extension Fee pursuant to clause (ii) above, the remaining Extension Fee Principal Payments to be made under Section 2.2 shall be recalculated on an even annual basis to reflect such reduction in the total unpaid principal balance of the Extension Fee. If as of the last Extension Fee Credit Date, the aggregate of all Extension Fee Credits (whether taken as rent credits, Extension Fee Payment credits or Extension Fee principal reductions) for all previous Extension Fee Credit Dates exceeds the Cumulative Extension Fee Credit for such last Extension Fee Credit Date, then Lessee shall pay such excess to County within ten (10) days following the calculation of the Cumulative Extension Fee Credit for such last Extension Fee Credit Date. The Cumulative Extension Fee Credit and Extension Fee Credit, if any, for each Extension Fee Credit Date shall be calculated concurrently with the calculation of the Percentage Rent payment due for the month during which each such Extension Fee Credit Date occurs.

2.4. Aggregate Application of Extension Fee and Extension Fee Credits. It is the desire and intent of the parties that the calculation and application of the Extension Fee and the Extension Fee Credits shall be made on an aggregate basis for this Lease and the Parcel 15 Lease, and all of the terms and provisions of Sections 2.2 and 2.3 of this Lease and the Parcel 15 Lease shall be construed and interpreted in a manner consistent with such desire and intent.

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

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

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

2.6.2. Duty to Remove. No later than ten (10) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert approved by County, such approval not to be unreasonably withheld or delayed, which report details and estimates the cost of removing all Improvements on the Premises at the expiration of the Term. County may give written notice (the "County Removal Notice") at any time, no later than 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; and if such structures are required to be removed by Lessee, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in the condition designated by the County. If County elects to require Lessee to remove Improvements hereunder pursuant to the County Removal Notice, Lessee shall, no later than the date which is thirty (30) days after Lessee's receipt of the County Removal Notice, provide County with a written plan which sets forth Lessee's proposed method of securing the discharge of Lessee's removal and restoration obligations pursuant to this subsection. Such security plan shall detail (i) the form of security proposed by Lessee, which security shall be either a letter of credit, bond, deposit of funds or other form of security in form and amount, and from an issuer, satisfactory to County, and (ii) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (i) above, which schedule shall in all events provide for a full funding of the security not later than three (3) years following the date of the County Removal Notice. The amount of the letter of credit, bond or other security or deposit shall be no less than the estimated costs to remove the Improvements set forth in the report described above, adjusted annually to reflect the increase or decrease, if any, in the ENR Index over the ENR Index as of the date of cost estimation set forth in such expert report; provided, however, that in no event shall such adjustment result in a letter of credit, bond or other security or deposit of an amount less than that set forth in the expert report. Any uncured failure by Lessee to deliver the removal and restoration security described in this subsection 2.6.2 shall constitute an Event of Default. If County fails to elect to require Lessee to remove the buildings, structures and Improvements on the Premises as provided above, then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall turn over the Premises to County in good and workmanlike condition, consistent with the condition of other buildings, structures and Improvements of comparable age and construction quality.

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

2.6.4. Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease, Lessee shall in any event remove at its cost and expense such 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.

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

### 3. USE OF PREMISES.

3.1. Specific Primary Use. The Premises shall be used by Lessee for the uses described on Exhibit C attached hereto, and such other related and incidental uses as are expressly requested by Lessee and specifically approved by County (collectively, the foregoing shall be referred to herein as the "Permitted Uses"). Except as specifically provided herein, the Premises shall be used for no other purpose without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2. Prohibited Uses. Notwithstanding the foregoing:

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

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

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

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;

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

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

3.2.2.5. Without the prior written approval of Director, no antennae or other device for the transmission or reception of television signals or any other form of electromagnetic radiation shall be erected, used or maintained by Lessee outdoors above ground on any portion of the Premises, whether attached to an improvement or otherwise; provided that the foregoing requirement to obtain Director's approval as to antennae and other transmission or reception devices shall be inapplicable to the extent that such requirement violates Applicable Law;

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

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

used in the ordinary course of business, and (b) conducted in compliance with all Applicable Laws; and

3.2.2.8. The following uses shall not be permitted: (a) fuel sales; (b) boat or vehicle repair, other than minor servicing or owner maintenance; or (c) live bait sales.

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

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

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

3.6. Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises. Without limitation of the foregoing, Lessee shall comply with all conditions and requirements of Coastal Development Permit No. 5-01-143 dated August 5, 2003, which conditions and requirements are incorporated into this Lease by reference.

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

matters described in this Section 3.7 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.8. Minimum Standards. To the extent not otherwise expressly addressed by the terms and conditions of this Lease, Lessee's redevelopment, alteration, operation, use and maintenance of the Premises shall be governed by the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey, California attached hereto as Exhibit D (the "Minimum Standards"), together with such commercially reasonable amendments to the Minimum Standards as may be adopted by the Board or the Department from time to time. Any dispute as to whether an amendment to the Minimum Standards is unreasonable shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.9. Reservations. Subject to the provisions of this Section 3.9 and subsection 1.2.2 hereof, Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way existing as of the date hereof or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever.

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

County and Lessee expressly acknowledge that the Premises is leased by County to Lessee subject to the reservation by County of that certain twenty (20) foot wide access and harbor utilities easement more particularly described in the legal description for the Premises attached hereto as Exhibit A, which easement bisects Buildings 1 and 2 to be constructed by Lessee as part of the Redevelopment Work (the "Encroaching Easement"). Based upon the Final Redevelopment Work Plans and Specifications, County agrees to consent to a relocation of the Encroaching Easement to another location on the Premises (the "New Easement Location") that is (i) adequate to satisfy the purposes and requirements of the Encroaching Easement, as determined by Director in good faith, (ii) approved by all governmental authorities issuing permits and/or approval for the construction of the Redevelopment Work, (iii) acceptable to all utility providers, if any, that may have rights in and to the Encroaching Easement, and (iv) otherwise acceptable to County, as determined in the exercise of Director's good faith judgment. At such time as the New Easement Location is available to satisfy the purposes and requirements of the Encroaching Easement, including without limitation the substantial completion of all construction, if any, necessary for the use of the New Easement Area for the purposes of the Encroaching Easement, and the use of the

Encroaching Easement is no longer necessary, County and Lessee agree to execute an amendment to this Lease modifying Exhibit A to reflect the relocation of the Encroaching Easement to the New Easement Area. Any such amendment shall bind all Encumbrance Holders of the Lessee's leasehold estate as of the date of this Lease who have consented to this Lease and any Encumbrance Holder of the Lessee's leasehold estate subsequent to the date of this Lease.

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 expressly set forth in Section 2.3 of this Lease. Except as specifically set forth herein, Lessee shall be solely responsible for all capital costs (including, without limitation, all structural and roof repairs or replacements) and operating expenses attributable to the operation and maintenance of the Premises, including without limitation the parking areas included within the Premises.

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

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

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein 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. As more specifically provided herein, the minimum rent payable to County during each year of the Term ("Annual Minimum Rent") shall be the sum of Three Hundred Eighty Six Thousand Three Hundred Seventy Three Dollars (\$386,373.00), subject to adjustment as provided in subsection 4.2.3 below. Annual Minimum Rent shall be payable by Lessee to County on a monthly basis. "Monthly Minimum Rent" shall be computed by dividing Annual Minimum Rent by twelve (12). As of the date hereof Monthly Minimum Rent shall be sum of Thirty Two Thousand One Hundred Ninety Seven and 75/100 Dollars (\$32,197.75) per month.

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

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

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

(c) TEN AND ONE-HALF PERCENT (10.5%) of Gross Receipts or other fees charged for (1) the occupancy of apartments, (2) the rental or use of land, water or other facilities for television, motion picture or other media filming purposes, and (3) the occupancy of structures or other facilities utilized for restaurants, stores, shops or other commercial establishment not described in subsections (c)(1) or (2) below; provided that, except as provided in subsection 4.2.2.5, Gross Receipts or other fees charged for the occupancy of restaurants, stores, shops or other commercial establishments shall not be included in the calculation of Percentage Rent under this subsection (c) if the Gross Receipts from the operation of such businesses are required to be reported under other subsections of this Section;

(c)(1) \_\_\_\_\_ PERCENT (\_\_\_%) of Gross Receipts or other fees charged for (i) the occupancy of hotel and/or motel accommodations, (ii) house trailers, (iii) meeting rooms, and (iv) the rental of land and/or water or facilities for activities not otherwise provided for in this subsection 4.2.2;

(c)(2) TEN PERCENT (10%) of Gross Receipts or other fees charged for the occupancy of offices utilized for banking, financial or investment activities, internal clerical or administrative activities, business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies or similar services;

(d) ONE PERCENT (1%) of Gross Receipts from the sale of new or used boats, boat trailers, house trailers and trailer cabanas including credits for used items taken in trade as part payment for new items, as reflected in the bill of sale. However, the trade-in allowance for such used item taken in trade may be deducted from the sale price of said used item, provided said used item is sold within one hundred twenty (120) days of the date of the bill of sale which established said trade-in allowance;

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

(f) FIVE PERCENT (5%) of Gross Receipts if collected directly by Lessee, or TWENTY PERCENT (20%) of any commissions or fees received by Lessee, from service enterprises, including, without limitation, cable, internet, satellite, telecommunication, telephone and other utility services (subject to the limitations of subsection 4.2.2.3(4)(f)), and valet parking services;

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

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

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

(j) THREE AND ONE-HALF PERCENT (3½%) of Gross Receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beach and theater food facilities, except that Gross Receipts from facilities established and operated as a take-out food operation shall be reported under subsection (s); a "take-out food operation"

shall mean a restaurant or other food operation a majority of the Gross Receipts from which are derived from the sale of food or beverages to be consumed off-site;

(k) Intentionally omitted;

(l) Intentionally omitted;

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

(n) FIVE PERCENT (5%) of Gross Receipts or other fees charged from the operation of sightseeing boats, tour boats or water taxis;

(o) Intentionally omitted;

(p) THREE PERCENT (3%) of Gross Receipts or other fees charged by authorized boat repair yards, including repair, painting, tugboat, salvage and boat pump-out services and similar activities;

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

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

(s) FIVE PERCENT (5%) of Gross Receipts from the operation of all stores, shops or boutiques selling items at retail, or from the sale of miscellaneous goods and services consistent with the Permitted Uses but not specifically provided for elsewhere in this Section;

(t) Intentionally omitted; and

(u) If Lessee hereafter engages in an activity (whether now included in the Permitted Uses or hereafter approved by County) with respect to which a specific percentage in the foregoing schedule has not been provided, then Director shall negotiate in good faith with Lessee to establish the specific percentage to be applied to such use. Such percentage shall be the Fair Market Rental Value for such particular use. If after good faith negotiations for a thirty (30) day period the Director and Lessee are unable to agree on such Fair Market Rental Value, the determination of the appropriate percentage applicable to such use shall be

submitted to arbitration pursuant to Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. The percentage rent for the related use as determined pursuant to this subsection (u) shall remain in effect until the next Renegotiation Date.

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

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

4.2.2.3. Gross Receipts. Except as herein otherwise provided, the term "Gross Receipts" as used in this Lease means all money, cash receipts, or other things of value, including but not limited to gross charges, sales, rentals, common area maintenance payments, operating expense reimbursements, fees and commissions made or earned by Lessee and/or all its assignees, Sublessees, licensees, permittees or concessionaires, whether collected or accrued from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale of goods, wares or merchandise.

(1) Except as otherwise set forth herein, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, without limitation, salaries, wages, costs of goods, interest, debt amortization, rent credit, collection costs, discounts from credit card operations, insurance and taxes.

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

(3) Gross Receipts reported by Lessee and its Sublessees, assignees, licensees, Lessees and permittees must include the usual charges for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees. Bona fide bad debts actually accrued by Lessee for amounts owed by Sublessees, assignees, licensees

concessionaires or permittees may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

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

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

b. an amount equal to the cash refunded or credit allowed on merchandise returned by customers and accepted by Lessee, or the amount of cash refunded or credit allowed thereon in lieu of Lessee's acceptance thereof, but only to the extent that the sales relating to such merchandise were made in, about or from the Premises; provided that whenever Lessee accepts a credit slip as payment for goods or services, the amount of credit shall be included in Gross Receipts;

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

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

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

f. the Cost of any Sublessee's submetered electricity, provided (1) each Sublessee's obligation to reimburse Lessee for such Sublessee's electrical charges is separate and apart from such Sublessee's obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the Sublessee's electricity; and, (3) the receipt is actually credited against the cost of the Sublessee's electricity. For the purpose of the foregoing sentence, the "Cost" of the Sublessee's electricity shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility's electric bill that is allocable to the Sublessee based on such Sublessee's submetered consumption of electricity, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced.

County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease.

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

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

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

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

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

4.2.2.8. Policy Statements. Director, by Policy Statement and with the written 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 third (3rd) anniversary of the Completion Date under the Parcel 15 Lease (the "First Adjustment Date") and as of each third (3rd) anniversary of the First Adjustment Date thereafter (each an "Adjustment Date" and collectively the "Adjustment Dates"), the Annual Minimum Rent shall be adjusted. 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 scheduled total annual rent due (including Monthly Minimum Rent and Percentage Rent) from Lessee to County under Section 4.2 of this Lease during the thirty six (36) month period immediately preceding the Adjustment Date; provided, however, in no event shall the Annual Minimum Rent effective for the three (3) year period commencing on the First Adjustment Date be less than the Annual Minimum Rent set forth in subsection 4.2.1 above.

4.3. Abatement/Deferral of Rent.

4.3.1. Abatement of Minimum Rent. During the period that either or both of the Residential Improvements and/or Slip Improvements are Out of Service, there shall be no Monthly Minimum Rent payable with respect to any Improvements which are Out of Service. For purposes of calculating the amount of Monthly Minimum Rent to be abated as provided in this subsection 4.3.1, the following provisions shall apply: (a) during any period during which both the Residential Improvements and the Slip Improvements are Out of Service, one hundred percent (100%) of the Monthly Minimum Rent shall be abated, and (b) during any period during which either, but not both, of the Residential Improvements and Slip Improvements are Out of Service, then the Applicable Portion (as defined below) of the Monthly Minimum Rent shall be abated. For purposes of this subsection 4.3.1, the "Applicable Portion" shall mean a fraction the numerator of which is the aggregate rentals (but not other Gross Receipts) which were received from the Improvements which are then currently Out of Service during the twelve (12) month period prior to the first date any of the Improvements were taken Out of Service, and the denominator of which is the aggregate rentals (but not other Gross Receipts) which were received from all of the Improvements during the twelve (12) month period prior to the first date any of the Improvements were taken Out of Service. During any period which Monthly Minimum Rent is abated pursuant to this Section 4.3.1, the Percentage Rent shall be calculated as if such Monthly Minimum Rent was not payable (i.e., the stated Monthly Minimum Rent shall not be offset to reduce the Percentage Rent payable hereunder).

4.3.2. Deferral of Percentage Rent. During the Deferral Period (as defined below), fifty percent (50%) of the Percentage Rent payable for the entire Premises shall be deferred in accordance with the terms and provisions of this subsection 4.3.2. For purposes hereof, the "Deferral Period" shall mean the period commencing on the date on which the Residential Improvements on the Premises are taken Out of Service and ending on the earlier of (i) ninety (90) days after the Completion Date under the Parcel 15 Lease, or (ii) ninety (90) days after the Outside Completion Date. Notwithstanding any contrary provision of this subsection 4.3.2, the aggregate amount of Percentage Rent deferred during the Deferral

Period pursuant to this subsection 4.3.2 and subsection 4.3.2 of the Parcel 15 Lease shall not exceed Three Million Dollars (\$3,000,000). The remaining fifty percent (50%) of Lessee's Percentage Rent obligations during the Deferral Period (and all Percentage Rent after the \$3,000,000 cap is reached pursuant to the immediately preceding sentence) shall be paid on a current basis as provided in subsection 4.2.2 above. The amount of Percentage Rent deferred under this subsection 4.3.2 is herein referred to as the "Deferred Rental Amounts."

4.3.3. Repayment of Deferred Rental Amounts. The Deferred Rental Amounts shall accrue interest from the date such amounts would have otherwise been payable under this Lease but for subsection 4.3.2 above, until the date of payment as set forth below, at an annually compounded interest rate (the "Deferral Interest Rate") equal to the greater of (I) seven percent (7%) per annum, or (II) the interest rate payable from time to time on all third party debt encumbering the Improvements while the Deferral Rental Amounts remain unpaid (or the weighted average of the interest rates based upon the relative principal amounts outstanding, if more than one loan encumbers the Improvements from time to time); provided, however, in no event shall the interest rate applicable to any tax-exempt financing be considered in calculating the Deferral Interest Rate. The Deferred Rental Amounts shall be paid by Lessee as follows: (x) commencing on the day following the fifth (5th) anniversary of the Outside Completion Date and continuing on the same day of each month thereafter over the ensuing five (5) year period, Lessee shall pay to County monthly interest-only payments on the total outstanding unpaid balance (including both principal and previously accrued interest) of the Deferred Rental Amounts; (y) commencing on the day following the tenth (10th) anniversary of the Outside Completion Date and continuing on the same day of each month thereafter over the ensuing five (5) year period, Lessee shall pay monthly payments of the Deferred Rental Amounts sufficient to fully amortize the total outstanding unpaid balance of the Deferred Rental Amounts in equal monthly installments of principal and interest over a twenty (20) year period; and (y) on the day preceding the fifteenth (15th) anniversary of the Outside Completion Date, Lessee shall pay to Lessee the entire remaining unpaid balance of the Deferred Rental Amounts, including all accrued and unpaid interest. The outstanding unpaid balance of the Deferred Rental Amounts may be prepaid, by Lessee, in whole or in part, at any time.

4.3.4. Events of Default. Lessee shall have the right to defer the Deferred Rental Amounts pursuant to this Section 4.3 only for so long as an Event of Default does not exist under the Lease. Notwithstanding any contrary provision of this Section 4.3, during any period during which an Event of Default remains uncured, all Annual Minimum Rent and Percentage Rent payable under Section 4.2 of this Lease shall be payable on a current basis. In addition, on the occurrence of an Event of Default, County shall have the right to declare the then outstanding balance of the Deferred Rental Amounts (including both principal and accrued, but unpaid interest) immediately due and payable.

4.4. Renegotiation of Annual Minimum and Percentage Rents. Effective on each tenth (10th) anniversary of the Completion Date under the Parcel 15 Lease, which Completion Date for purposes of this Section 4.4 only, shall in no event be deemed to occur after the fifth (5th) anniversary of the Effective Date (each a "Renegotiation Date" and collectively, the "Renegotiation



Dates”), the Annual Minimum Rent and Percentage Rent shall be readjusted to the Fair Market Rental Value (as defined below) of the Premises.

4.4.1. Fair Market Rental Value. As used herein, “Fair Market Rental Value” shall mean, as of each Renegotiation Date, the fair market rent (including an annual minimum rent), expressed as respective percentages of Gross Receipts in accordance with the categories enumerated in subsection 4.2.2, which the Premises (with any and all Improvements existing thereon deemed to be owned by County as of the Renegotiation Date) 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; provided, however, that County’s notice to Lessee shall conspicuously state in bold

faced type that such determination of Fair Market Rental Value shall be binding on Lessee unless Lessee delivers notice of its disagreement within such fifteen (15) day period.

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 Fair Market Rental Value and the Annual Minimum Rent, such amendment, if executed prior to the Renegotiation Date, shall be effective as of the Renegotiation Date; if executed after the Renegotiation Date, such amendment shall be retroactive to the Renegotiation Date. In the event that such amendment is executed after the Renegotiation Date, then, within 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 funds held and invested by

the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller ("County Pool Rate"); and,

(2) the interest rate applicable to any period of time in excess of six (6) months following the Renegotiation Date shall be the average prime rate of interest published in the Wall Street Journal (the "Prime Rate") plus 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; Late Fees and Interest.

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

4.5.2. Late Fees and Interest. In the event any payment is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee ("Late Fee") of six percent (6%) of the unpaid amount shall be added to any amount unpaid when due and payable. 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). Notwithstanding any contrary provision of this Section 4.5, no Late Fee shall be assessed during any Lease Year until Lessee shall have first been delinquent in the payment of one or more installments or payments of Minimum Monthly Rent, Percentage Rent or other sums due under this Lease for an aggregate of more than five (5) days during such Lease Year. For example, if the first late payment by Lessee during a Lease Year involves

the late payment by Lessee of a Monthly Minimum Rent installment which Lessee cures on the fourth (4th) day following the due date for such Monthly Minimum Rent installment, and the second late payment by Lessee during such Lease Year involves the Lessee's failure to deliver a Percentage Rent payment by the due date therefor, then (i) no Late Fee shall be assessed as to the Monthly Minimum Rent late payment, (ii) a Late Fee shall be assessed with respect to the Percentage Rent late payment unless Lessee delivers such payment on the first day following the due date therefor, and (iii) a Late Fee shall be assessed on any subsequent rent or other payment due from Lessee during such Lease Year if not paid on or before the due date therefor. The foregoing aggregate five (5) day per Lease Year grace period for application of Late Fees shall not be applicable to Lessee's obligation to pay interest on the late payment of any rent or other amounts to be paid by Lessee under this Lease.

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. Notwithstanding the foregoing, there shall be no Net Proceeds Share payable in connection with an Initial Financing Event. "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 11 and 12 of this Lease.

4.6.1. Change of Ownership. "Change of Ownership" shall mean (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease 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 subsections 4.6.1(a) or (b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in, or a Change of Control of, Lessee, this Lease or a Major Sublease. For the purposes of this Lease, "Change of Control" shall refer to a transaction whereby the transferee acquires a beneficial interest in Lessee, this Lease or a Major Sublease which brings its cumulative beneficial interest in Lessee, this Lease or a Major Sublease, as appropriate, to over fifty percent (50%).

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

4.6.2.1. a transfer by any partner of Lessee as of the Execution Date, to any other partner of Lessee as of the Execution Date;

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

4.6.2.3. a transfer of the existing interests in Lessee held by a partner, directly to any living trust, by way of gift, devise, intestate succession or operation of law, where the transferee living trust's assets are substantially the same as the transferor and the beneficiaries of said trust are members of the transferor's immediate family (which for the purposes of this subsection shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), together with the subsequent transfer of such interests to such beneficiaries upon the death of a partner; provided, however, the parties acknowledge (a) that a subsequent dilution or transfer of said interests shall be subject to County approval and fees as provided herein, and (b) County shall have at all times the right to approve the managing general partner of Lessee.

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; or

4.6.2.6. any transfer resulting from a Condemnation by County.

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 a transaction or series of related transactions (other than those enumerated in subsection 4.6.2) occurring since the later of (a) the Effective Date, (b) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County. Isolated and unrelated transfers of less than fifty percent (50%) of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, which neither cause a Change of Control nor are described in subsection 4.6.1(a), shall not be included within the definition of Aggregate Transfers and shall not be considered for purposes of determining whether there has been a Change of Ownership.

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 (including supporting documentation), 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 (with supporting documentation) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice (and initial supporting documentation). Together with its request for County approval of the proposed transaction, Lessee, a Major Sublessee or the holder of a beneficial interest in this Lease or a Major Sublease, whichever is appropriate, shall present to County its calculation of the Net Proceeds Share (if any) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs, if any, which may result from the payment of such Net Proceeds Share ("Calculation Notice"). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County's agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. Failure of County to approve the Calculation Notice in writing within such thirty (30) day period shall be deemed to constitute County's disapproval thereof. Failing mutual agreement within thirty (30) days after the expiration of said thirty (30) day period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs, then the transaction may be consummated after County has disapproved Lessee's Calculation Notice; provided, however, that (i) Lessee shall remit to County as otherwise required hereunder the undisputed portion of the Net Proceeds Share and (ii) Lessee shall deposit the disputed portion of the Net Proceeds Share into an interest bearing escrow account at the closing of the transaction (or deliver to County a letter of credit or other security reasonably acceptable to County in the amount of the disputed portion), which 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. If the transferor of an interest accepts a note made by the transferee of such interest in payment of all or a portion of the acquisition cost (a "Purchase Money Note"), such note shall be valued at its face amount; provided that if the interest rate on such Purchase Money Note is in excess of a market rate, then the value of such note shall be increased to reflect such above-market rate. Any disputes between County and Lessee as to whether the interest rate on a Purchase Money Note is in excess of a market

rate or with respect to the valuation of a Purchase Money Note with an above-market rate of interest, shall be settled by arbitration pursuant to Article 16 below.

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

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

4.8. Net Proceeds Share. In the event of a Change of Ownership, the Net Proceeds Share shall be the amount by which (i) 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 which constitutes a Change in Ownership, 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 exceeds (ii) the Administrative Charge paid by Lessee to County in connection with the transaction. With respect to a Financing Event, the Net Proceeds Share (if any) shall be the amount by which (i) eighteen and one half percent (18.5%) of the Net Refinancing Proceeds from such Financing Event exceeds (ii) the Administrative Charge paid by Lessee to County in connection with the transaction.

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



4.8.1.1. The final actual costs paid by Lessee in connection with the Redevelopment Work or other physical Improvements to the Premises in accordance with Article 5 herein (including all hard and soft costs, including developer fees incurred by Lessee, as long as such developer fees do not exceed five percent (5%) of the other redevelopment costs), which costs have been submitted to County within thirty (30) days after the completion of the Redevelopment Work or other such Improvements, as the case may be, together with a written certification from Lessee and Lessee's construction lender to the effect that such costs are accurate ("Improvement Costs").

4.8.1.2. Commissions, title and escrow costs, documentary transfer taxes, sales and use taxes, reasonable attorneys' fees and other bona fide closing costs actually paid to third parties and documented to the reasonable satisfaction of County, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share (collectively, "Documented Transaction Costs").

4.8.2. Transfer by Lessee's Successor. In the case of a transfer by a Lessee other than the original Lessee, "Net Transfer Proceeds" shall mean the total cash and other consideration received by that successor Lessee (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership, such consideration shall in no event be deemed to be less than the fair value of the interests transferred), minus the following costs with respect to such successor Lessee:

4.8.2.1. The greater of (a) Improvement Costs incurred prior to such successor Lessee's acquisition of its leasehold interest in the Premises, (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;

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 County, with an appropriate lender and Lessee certification, to the extent provided in subsection 4.8.1.1 with respect to Lessee; and,

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

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

4.8.4. Other Transfers. With respect to any Change of Ownership not described in subsections 4.8.1 through 4.8.3 (i.e., a transfer of an interest in an entity holding a direct or indirect ownership interest in this Lease or in a Major Sublease), subsections 4.8.1 and 4.8.2 shall apply to such Change of Ownership, except that in lieu of deducting the Improvement Costs in determining Net Transfer Proceeds, the cost to the transferor of the interest being transferred 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 such Net Transfer Proceeds, as if they 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 which occurs after the Execution Date (other than an Initial Financing Event), minus (i) the greater of (A) the principal amount of the financing encumbering the Premises as of the consummation of the last Initial Financing Event, or (B) the principal amount of any subsequent Financing Event by Lessee in connection with which County was paid a Net Proceeds Share, (ii) any portion of the proceeds of the Financing Event which shall be used for new Improvement Costs, (iii) all other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event (including an Initial Financing Event), and (iv) 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 share, and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share and late fee at the Applicable Rate from the date due until paid. 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. On or before December 31 of each Lease Year during the Term and prior to and immediately following each Change of Ownership or Financing Event, 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. CONSTRUCTION OF IMPROVEMENTS.

5.1. Redevelopment Work. It is expressly understood and agreed that Lessee shall demolish the existing Improvements located on the Premises and construct the new Improvements on the Premises described on Exhibit C attached hereto. The demolition and construction work described in the immediately preceding sentence, along with all associated improvement, hardscape, landscape and other site work approved by County and to be performed in connection with such construction work, are herein collectively referred to as the "Redevelopment Work." The design, density, site coverage, layout and open space, view corridors, building height, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Redevelopment Work to be constructed on the Premises shall be performed in accordance with the Final Plans and Specifications for the Redevelopment Work approved by County pursuant to subsection 5.1.1 below (the "Final Redevelopment Work Plans and Specifications"), and shall be subject to the receipt by Lessee of all required governmental (including County and Coastal Commission) planning and entitlement approvals. Other than work described in Section 5.9 below, no material modification shall be made to the Final Redevelopment Work Plans and Specifications and/or the Improvements described therein (collectively, the "Redevelopment Modifications") without the prior written approval of Director, which approval shall not be unreasonably withheld. 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 comply with all time deadlines and schedules set forth in this Section 5 relating to the completion of the design and construction of the

Redevelopment Work. Lessee's failure to do so shall, if not cured within the applicable cure set forth in subsection 13.1.2, constitute an Event of Default.

5.1.1. Final Redevelopment Work Plans and Specifications. County has heretofore approved the Schematics and the Preliminary Plans for the Redevelopment Work to be performed on the Premises pursuant to Sections 5.3.1 and 5.3.2 of the Option Agreement. On or before thirty (30) days following the Effective Date, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications for the Redevelopment Work on the Premises (the "Final Plans"), together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the Final Plans required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits for the Redevelopment Work on the Premises. Any difference in the scope, size, configuration, arrangement or motif of the Improvements described in the Final Plans from those described in the Preliminary Plans for the Premises approved under Section 5.3.2 of the Option Agreement shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove the Final Plans, and Director may disapprove the Final Plans only on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved Preliminary Plans, exclusive of any Approved Governmental Changes (all references to Approved Governmental Changes in this subsection 5.3.1 shall be to the definition of such term in Section 5.3.1 of the Option Agreement). Failure of Director to disapprove said Final Plans within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the Final Plans contain substantial changes from the Preliminary Plans (other than any Approved Governmental Changes), then Director shall have sixty (60) days in which to approve the Final Plans, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the Final Plans, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**"PURSUANT TO SUBSECTION 5.1.1 OF THE LEASE, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM."**

Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved Preliminary Plans, exclusive of any Approved Governmental Changes. Upon approval, the Final Plans shall be referred to herein as the "Final Redevelopment Work Plans and Specifications." Except as provided in Section 5.9 of this Lease, no Redevelopment

Modifications shall be made to the Improvements described in the approved Final Redevelopment Work Plans and Specifications, without the prior written approval of Director, which shall not be unreasonably withheld.

5.2. Alterations After Completion of Redevelopment Work. Other than any work described in Section 5.9 below, prior and as a condition precedent to the construction of any alterations or modifications to the Redevelopment Work constructed by Lessee pursuant to this Article 5, or the construction of any new Improvements after the Redevelopment Work is completed (collectively, "Alterations"), Lessee shall submit to Director, for Director's approval, the plans and specifications described in this Section 5.2 pertaining to such Alterations.

5.2.1. Schematics and Narrative. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third parties which are located thereon. Director shall have sixty (60) days within which to approve or disapprove such submission. Failure of Director to approve such submission in writing within said sixty (60) day period shall be deemed disapproval of said submission. After approval of schematic plans (or subsequent approval of Preliminary or Approved Final Plans, Specifications and Costs, as defined herein) by Director, if changes in such plans are required by conditions of approval of the 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 would not require the Director's consent pursuant to Section 5.9 of this Lease (any such governmental changes which are not subject to disapproval by Director pursuant to this provision are referred to as the "Approved Governmental Changes").

5.2.2. Preliminary Plans and Specifications. After Director's approval of the materials submitted pursuant to subsection 5.2.1, Lessee shall submit to Director six (6) sets of preliminary plans and outline specifications for the Alterations. The preliminary plans and outline specifications shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved schematics and narrative shall be separately identified and described. Director shall have twenty-one (21) days within which to approve or reasonably disapprove such submission, and Director may only 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, exclusive of any Approved Governmental Changes. Failure of Director to disapprove said preliminary plans within twenty one (21) days after Director's receipt thereof shall be deemed Director's approval thereof; provided, however, that in the event that the preliminary plans, outline specifications and construction cost estimates contain substantial changes from the approved schematics and narrative (other than any Approved Governmental Changes), then Director

shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the preliminary plans and outline specifications, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

**“PURSUANT TO SUBSECTION 5.2.2 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”**

5.2.3. Final Plans and Specifications. After approval of the preliminary plans and outline specifications, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications 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 and detailed specifications required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described.

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

**“PURSUANT TO SUBSECTION 5.2.3 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN ANY APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER**

RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM.”

Director’s approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved preliminary plans and specifications, exclusive of any Approved Governmental Changes. Other than the work described in Section 5.9 hereof, no material modification shall be made to the Alterations described in the approved final plans and specifications (the “Final Alteration Plans and Specifications”) without the prior written approval of Director, which shall not be unreasonably withheld.

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

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

5.3.2. Copies of Construction Contracts. Lessee shall have furnished County with copies of any contract(s) entered into between Lessee and any unaffiliated general contractor(s) employed for the purpose of constructing the Redevelopment Work or Alterations, as the case may be.

5.3.3. 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:

5.3.3.1. 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 anticipated to be incurred in connection 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.

5.3.3.2. 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 hard 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 5.3.3. Any bonds provided by Lessee or the general contractor pursuant to this subsection may name the Construction Lender as an additional obligee.

5.3.4. Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may, in its discretion, provide any one or any combination of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to County, made by an individual or entity with a sufficient net worth and liquidity, in the sole discretion of Director, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a Certificate of Deposit, cash or United States governmental security, (iii) an additional Letter of Credit, or (iv) a Set Aside Letter from the Construction Lender. The security described in clauses (ii), (iii) and (iv) above shall be in an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the Improvements if same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. Any alternative security provided by Lessee pursuant to this subsection may name County and the Construction Lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this subsection 5.3.4 shall be delivery by Lessee to County of an opinion of counsel from a firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in subsection 5.3.3 above. Director shall have the authority, in his reasonable discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.3.5. Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by Director, to complete the Alterations. Lessee shall furnish Director with copies of all final notes, guarantees, partnership, shareholder or limited liability company agreements, construction loan documents, permanent loan commitments, 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.

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

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

5.5. Construction Schedule for Redevelopment Work.

5.5.1. Substantial Commencement of Construction. It is a condition of this Lease that, except to the extent Lessee is prevented from so doing by the events identified in subsection 5.5.3, Lessee shall cause the Substantial Commencement of Construction for the Redevelopment Work to have occurred on or before the date (the "Anticipated Commencement Date") that is sixty (60) days following the Effective Date, and shall substantially complete the Redevelopment Work by the Outside Completion Date. For the purposes of this Lease, "Substantial Commencement" or "Substantial Commencement of Construction" shall mean that all demolition and excavation work required in connection with the Redevelopment Work has been commenced. If Lessee timely submits the Final Plans for Director's approval pursuant to subsection 5.1.1 above, but as of the scheduled Anticipated Commencement Date Director has not yet notified Lessee regarding its approval or disapproval of the Final Plans due to the inclusion in the Final Plans of substantial changes from the Preliminary Plans (other than Approved Governmental Changes), then unless Director is then willing to authorize Lessee to commence demolition of the existing Improvements prior to Director's approval of the Final Plans, the Anticipated Commencement Date shall be extended until the earliest of (i) the Director's approval of the Final Plans, (ii) the Director's authorization to commence demolition of the existing Improvements, or (iii) ninety (90) days following the Effective Date. The Anticipated Commencement Date and the Outside Completion Date will otherwise only be extended under the specific circumstances set forth in this Section 5.5, and under no other

circumstances. Notwithstanding the foregoing, the parties hereto specifically agree that so long as Lessee is otherwise diligently and in good faith attempting to satisfy such condition, and as long as it would have been extremely unlikely that any other apartment developer under similar circumstances could have caused the Redevelopment Work to be Substantially Commenced and/or completed within such timeframe, then Lessee will not be in breach of this subsection for its failure to achieve Substantial Commencement or completion by the Anticipated Commencement Date or Outside Completion Date, respectively.

5.5.2. After Substantial Commencement. Once construction of the Redevelopment Work has been Substantially Commenced, Lessee shall thereafter diligently pursue the completion of such construction by the Outside Completion Date in substantial compliance with the Final Redevelopment Work Plans and Specifications. During this period, delays due to fire, earthquake, flood, tornado, civil disturbance, war, organized labor dispute or other unforeseeable event reasonably beyond the control of Lessee or a hidden condition relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity (collectively, "Force Majeure") shall extend the time in which said construction must be completed by the length of time of such delay, although Lessee shall commence and complete the portions, if any, of the Improvements not impacted by such delay within the timeframe set forth in this Lease. Lessee and Director shall discuss and attempt to agree on the length of time of such delay. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this subsection 5.5.2, the matter shall be arbitrated as set forth in Article 16.

5.5.3. Extension of Dates. The Anticipated Commencement Date and Outside Completion date shall be extended only for the reasons set forth in this Section. In the event Lessee has not met the condition in subsection 5.5.1, at the end of any extension granted pursuant to this Section, then, at County's option, at the end of such extension period this Lease shall be amended such that the terms and provisions of this Lease revert back to the terms and provisions of the Original Lease (including, without limitation, the Original Term), as modified by the "Non-Exercise Amendment" described in the Option Agreement (the "Reversion Amendment"). The amendment of this Lease pursuant to the Reversion Amendment shall occur only with respect to a failure of the condition set forth in subsection 5.5.1 with respect to the Redevelopment Work to be performed on the Premises under this Lease, and, upon the completion of the Redevelopment Work on the Premises under this Lease, this Lease shall not thereafter be subject to amendment pursuant to the Reversion Amendment for any failure by the Parcel 15 Lessee to perform any redevelopment work described in the Parcel 15 Lease that is required to be performed by the Parcel 15 Lessee with respect to the Parcel 15 Premises.

5.5.3.1. Delay Caused by Unreasonable County Acts. The Anticipated Commencement Date shall be extended if Lessee has been delayed in the obtaining of any permits or other approvals necessary for the commencement of construction of the Improvements set forth in the Final Redevelopment Work Plans and Specifications due to Unreasonable County Activity. For the purposes of this Lease, the following shall be deemed to be "Unreasonable County

Activity”: County’s failure to provide required joinder, if any, in Lessee’s proposals for the Improvements described in the Final Redevelopment Work Plans and Specifications before any governmental agency; or, County’s failure to take such other actions in its proprietary capacity reasonably requested by Lessee, at no cost or expense to County, which are necessary for Lessee to proceed with the permit/approval process or County’s having taken such actions without Lessee’s consent which adversely affected Lessee’s rights and obligations hereunder, which were unreasonable and which actually delayed the Substantial Commencement of Construction and which action or inaction occurred after the date hereof. Nothing contained in this Section or this Lease shall be construed as obliging County to support proposals, issue permits, or otherwise act in a manner inconsistent with County’s actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County’s customary regulatory permit/approval process. An extension shall be available under this subsection only if all of the following procedures have been followed:

(a) Within a reasonable time under the circumstances, but in no event to exceed five (5) days after Lessee’s discovery of any alleged Unreasonable County Activity, Lessee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct.

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

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

The period of any extension pursuant to this subsection shall be equal to the period of the delay caused by the Unreasonable County Activity.

5.5.3.2. Delay Caused by Injunction. Except as otherwise provided in subsection 5.5.3.3, if as of the Anticipated Commencement Date (as it may be extended as provided above) a regulatory body or agency has obtained an injunction preventing the commencement of construction, and the removal of such injunction constitute(s) the major remaining impediment to the commencement of construction, then the Anticipated Commencement Date shall be extended to thirty (30) days after the date upon which such injunction is dissolved, provided that (1) Lessee has exhausted and continues to exhaust all commercially reasonable efforts to obtain the dissolution of such injunction, and (2) such extended Anticipated Commencement Date shall not be later than two (2) years after the commencement of the Term. If the Anticipated Commencement Date is so extended, then the Outside Completion Date shall be extended to the date which is sixty four (64) months after the Anticipated Commencement Date, as extended. The extension provided by this subsection shall be the only extension available in a situation where a regulatory body or agency has obtained such an injunction.

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

5.5.3.4. Notwithstanding anything to the contrary contained in this Lease, no extension of the requirement to Substantially Commence construction of the Improvements by the Anticipated Commencement Date and complete such Improvements by the Outside Completion Date shall relieve Lessee of its obligation to pay County the Annual Minimum Rent, Percentage Rent and other amounts set forth in Article 4 of this Lease.

5.5.4. Failure to Reach Substantial Commencement. Lessee agrees that the primary purpose for County having entered into this Lease is to provide the public with the opportunity to enjoy the Improvements described in the Final Redevelopment Work Plans and Specifications at the earliest practicable date. Therefore, it is understood and agreed that the time periods and requirements for extensions contained in this Section 5.5 shall be strictly enforced and should Lessee, or any party claiming through Lessee, fail to meet the conditions for Substantial Commencement of Construction within the terms of this Section 5.5 with respect to the Redevelopment Work to be performed on the Premises under this Lease, then at County's option this Lease shall be amended in accordance with the Reversion Amendment.

5.6. Manner of Construction. The terms and provisions of this Section 5.6 shall be applicable to both the Redevelopment Work and any Alterations.

5.6.1. 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 or disruption caused by such work and make adequate provisions for the safety 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 the condition which existed before such work was commenced. Additionally, Lessee shall pay or cause to be paid all costs and expenses associated therewith and shall indemnify, defend and hold County harmless from and against all damages, costs, expenses, losses or claims arising out of or in connection with the performance of such work, except to the extent that such damages, costs, expenses, losses or claims are caused by County. Dust, noise and other effects of such work shall be controlled using accepted measures customarily utilized in order to control such deleterious effects associated with construction projects in well populated and developed areas of southern California.

5.6.2. 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.

5.6.3. 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.

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

5.6.5. Notice to Director; Damage to County Improvements. Lessee further agrees to keep Director apprised of the progress of the work to the end that Director may, upon at least one Business Day advance notice, timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises, including but not limited to the Seawall, underground conduits and utility lines. If any such County-owned improvement is damaged in connection with said construction activity by Lessee, Lessee agrees to repair such damage immediately at no cost or expense to County. Lessee shall add the work necessary to repair such damage to the construction schedule for the Redevelopment Work, and shall complete such repair work in accordance with such schedule; provided that if such damage to County-owned improvements creates a threat to public health and safety or materially adversely affects the condition, appearance or operation of any County-owned improvement or of any other property, then Lessee shall

promptly complete such repair work. In the event that Lessee fails to effectuate such repair in accordance with the foregoing requirements, 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. This subsection 5.6.5 shall not be deemed to impose upon Lessee any obligation to repair damage to County-owned improvements existing on or around the Premises if such damage was not incurred in connection with Lessee's construction activities.

5.6.6. Rights of Access. Representatives of the Department of Beaches and Harbors of the County shall, upon reasonable notice and at reasonable times during normal business hours, have the right of entry to the Premises and the Improvements thereon without charges or fees, but at no cost or expense to Lessee, for the purpose of ascertaining compliance with the terms and conditions of this Lease, including but not limited to the inspection of the construction work being performed. Such entry shall be reasonably calculated to minimize interference with Lessee's construction and/or operations, and County shall comply with industry safety standards in connection with any such entry. 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 entry. 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.

5.6.7. Notice of Completion. Upon completion of the Redevelopment Work or any 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 work, and Lessee shall deliver to County, at no cost to County, two (2) sets of reproducible final as-built plans and specifications of the affected Improvements.

5.6.8. Final Completion Certificate. Promptly after completion of the Redevelopment Work, County shall execute and deliver to Lessee a final completion certificate (the "Final Completion Certificate"), which shall conclusively evidence the completion of the Redevelopment Work by Lessee in accordance with the terms of this Lease.

5.7. 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 not include the unauthorized right to use any trade marks, trade names or logos of Lessee or any such architect, design professional or contractor. The assignment to County described in this Section 5.7 shall be effective until the Final Completion Certificate is issued, and shall be subordinate to the security interest, if

any, of the Construction Lender in the assigned contract, which subordination shall be in a form reasonably acceptable to the Construction Lender.

5.8. Redevelopment Modifications and Additional Construction. Lessee may, at its own expense, make or construct, or cause to be made or constructed, (a) Redevelopment Modifications prior to the completion of the Redevelopment Work, and (b) Alterations to the Improvements, including without limitation, the construction of additional Improvements, following the completion of the Redevelopment Work; provided, however, that all such Redevelopment Modifications and/or Alterations shall be (i) consistent with, and within the scope of; the Permitted Uses set forth in Article 3, (ii) first approved in writing by the Director, except as otherwise provided in Section 5.9 below, and (iii) made in accordance and compliance with all terms and provisions set forth in Sections 5.2, 5.3, 5.6, 5.7 and 5.10. Lessee acknowledges that, except to the extent set forth in a prior written approval or agreement by Director or County, Director may refuse permission for any Redevelopment Modifications and/or the construction of any proposed Alterations, and such decision, if reasonable, will be final and binding upon Lessee. Lessee acknowledges that all proposed Redevelopment Modifications and Alterations will also be subject to other governmental requirements and conditions, including those of the California Coastal Commission and other governmental authorities that may have jurisdiction.

5.9. Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.2) with respect to Redevelopment Modifications and Alterations where all of the following conditions are satisfied: (1) the total cost of the work does not exceed (a) one percent (1%) of the total costs of the Redevelopment Work reflected on the final Construction Cost Summary, with respect to any Redevelopment Modifications, or (b) One Hundred Thousand Dollars (\$100,000), adjusted by the percentage change in the consumer price index from December, 1999 to the last month in the year immediately prior to the commencement of such Alterations, with respect to any Alterations; (2) none of the proposed construction activity, modifications or changes are structural in nature; (3) none of the proposed construction, additions, modifications or changes affect or are visible from the exterior of the Improvements; (4) the Redevelopment Modifications and Alterations are in compliance with the Permitted Uses; and (5) the Redevelopment Modifications and Alterations do not reduce the total number of apartment units or boat slips constructed on the Premises; provided, however, that whenever Lessee makes or constructs or permits any Improvements in or to the Premises, Lessee shall (i) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (ii) furnish a copy of "as-built" plans upon completion of such work to County.

5.10. Protection of County. Nothing in this Lease shall be construed as giving Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services, or the furnishing of any materials, in any such manner as would give rise to the filing of mechanics' liens or other claims against the County's interest in the Premises.

5.10.1. Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of the County's interest in the Premises from mechanics' liens or other claims. Lessee shall give County at least ten (10) business days

prior written notice of the commencement of any work to be done on the Premises, in order to enable County timely to post such notices.

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

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

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

## 6. CONDEMNATION.

If the whole or any substantial part of the Premises hereby leased shall be taken by any paramount public authority under the power of eminent domain then the Term of this Lease shall cease as to the part so taken from the day the possession of that part shall be taken for any public purpose, and from that day Lessee shall have the right to either cancel this Lease or to continue in the possession of the remainder of the Premises under the terms herein provided, except that the Monthly Minimum Rent shall be reduced in proportion to the amount of the Premises taken.

All damages awarded for such taking shall belong to and be the property of County; provided, however, that County shall not be entitled to any portion of the award made for loss of business installation or Improvements belonging to Lessee.

## 7. SECURITY DEPOSIT.

7.1. Amount and Use. Concurrent with the execution of this Lease, Lessee shall deliver to County a security deposit in an amount equal to three (3) times the current Monthly Minimum Rent (the "Security Deposit"). The Security Deposit shall be in the form of a cashier's check, wire



transfer of immediately available funds, certificate of deposit or other investment securities acceptable to County, or an irrevocable Letter of Credit acceptable to County with respect to form, content and issuer. Within thirty (30) days after any adjustment of the Monthly Minimum Rent, the Security Deposit shall be increased by Lessee or may be reduced such that it at all times (other than during said thirty (30) day period) is equal to three (3) times the current Monthly Minimum Rent. 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 delinquent rent not paid by Lessee within any applicable notice and cure period and any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. 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 interest accruing to Lessee's benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

7.2. Replacement. In the event that some or all of the Security Deposit is drawn against by County and applied against any delinquent rent not paid by Lessee within any applicable notice or cure period, or against other Events of Default of Lessee hereunder, Lessee shall, within thirty (30) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, or cause the issuer of the Letter of Credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said thirty (30) day period), the full amount of the Security Deposit shall be available to County. Failure to maintain and replenish the Security Deposit, if not cured within the time period set forth in subsection 13.1.3, shall constitute an Event of Default hereunder.

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

## 8. INDEMNITY.

Except to the extent caused by the gross negligence or willful misconduct of any such indemnitee, Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its respective Boards, officers, agents, consultants, counsel, employees and volunteers from any and all claims, costs, losses, expenses or liability, including expenses and reasonable attorneys' fees incurred in defending against the same by an attorney selected by Lessee and

reasonably satisfactory to County, for the death of or injury to persons or damage to property, including property owned or controlled by or in the possession of County or any of its Board, officers, agents, employees or volunteers, to the extent that such arises from or is caused by (a) the operation, maintenance, use, or occupation of the Premises (other than the Promenade and the Seawall) by Lessee or its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, or (c) the failure of Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees to observe and abide by any of the terms or conditions of this Lease or any applicable law, ordinance, rule, or regulation. The obligation of Lessee to so relieve, indemnify, protect, and save harmless County and each of its respective Boards, officers, agents, consultants, counsel, employees and volunteers, shall continue during any periods of occupancy or of holding over by Lessee, Lessee, its agents, officers, employees, licensees, concessionaires, permittees or Sublessees, beyond the expiration of the Term or other termination of this Lease. Notwithstanding anything in this Lease to the contrary, Lessee and County acknowledge that their respective liability, if any, arising out of the operation, maintenance, use and/or occupation of the Promenade shall be governed by Applicable Law.

#### 9. INSURANCE.

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

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

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

thereof, and County's officers, agents, employees and volunteers, as additional insureds and any Encumbrance Holder as loss payee. Upon the occurrence of any loss, the proceeds of such insurance shall be held by County in trust for the named insureds as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than \$500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Extension Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of the Improvements in accordance with the terms of the Financing Documents. In the event of a loss, Lessee shall be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 11 hereof. Any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

Subject to the immediately following grammatical paragraph, a duplicate policy or policies evidencing such insurance coverage, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than five (5) business days after the Execution Date, and such policy or policies shall provide that such insurance coverage will not be 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 prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be filed with Director.

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

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

9.3. Liability Insurance. Lessee shall maintain in full force and effect during the Term of this Lease, comprehensive general liability insurance together with premises operations, products, completed operations, advertising, independent contractor and contractual liability coverages, including liquor liability (which coverage shall be either host or commercial coverage, depending on whether a commercial establishment which sells alcohol is located in the Premises). The insurance described in the immediately preceding sentence shall be in an amount not less than the following: (i) prior to the completion of the Redevelopment Work on the Premises and the Parcel 15 Premises such insurance shall have a combined single limit of not less than \$5,000,000 and an annual aggregate limitation of not less than \$10,000,000, calculated for the Premises only (and not also for the Parcel 15 Premises); and (ii) following the completion of the Redevelopment Work on the Premises and the Parcel 15 Premises, such insurance shall have a combined single limit of not less than \$10,000,000 and an annual aggregate limitation of not less than \$20,000,000; provided that Lessee shall have the right to carry the insurance limits described in this clause (ii) in the form of one combined policy (or policies) covering both the Premises and the Parcel 15 Premises. 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 the liability insurance policy or policies described in this Section 9.3.

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

The amounts of liability insurance required by this Section required shall be subject to renegotiation as of each 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, if it has any employees, and Lessee's management agents, 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) days after Lessee's receipt of written demand therefor.

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

10.1. Lessee's Maintenance and Repair Obligations. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (including the Promenade, but excluding the Excluded Conditions and excluding the Seawall), in conformance with the Minimum Standards regarding the use and occupancy of residential apartment buildings and marina facilities in Marina del Rey (such as the Premises) as revised from time to time by County in a manner consistent with commercially reasonable maintenance standards applicable to other comparable residential apartment buildings and marina facilities in Marina del Rey (the "Maintenance Standard"). Any dispute as to whether revisions to the Minimum Standards adopted by the County from time to time pursuant to the immediately preceding sentence are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Without limiting the foregoing, at Lessee's sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises (including the Promenade) and all equipment, Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises (other than the Excluded Conditions and the Seawall) 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 replacements thereto, except as otherwise provided in this Article 10. Lessee shall undertake such repairs or replacements in compliance with Applicable Laws, the Maintenance Standard and the terms and provisions of this Article 10. Lessee

shall maintain all Improvements on the Premises (other than the Excluded Conditions and the Seawall) in a safe, clean, wholesome and sanitary condition, in the commercially reasonable judgment of the Director, and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as is necessary in the commercially reasonable judgment of the Director to maintain the appearance of the Premises in a manner consistent with the Maintenance Standard. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right to enter upon and inspect the Premises at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises. The exclusion of the Excluded Conditions and the Seawall from Lessee's maintenance obligations under this Section 10.1 shall not relieve Lessee from the obligation to repair and restore any damage to the Excluded Conditions and/or the Seawall caused by Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee, and Lessee hereby agrees to perform such repair or restoration work at Lessee's sole cost and expense.

10.2. Option to Terminate for Uninsured Casualty. In the event of any damage to or destruction of the Premises, or any Improvements located thereon (other than the Excluded Conditions and the Seawall, except to the extent damage thereto is caused by the Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee), Lessee shall, except as otherwise expressly provided in this Section 10.2, promptly repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.2, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises (other than the Excluded Conditions and the Seawall) are substantially damaged or destroyed and such damage or destruction resulted from a cause not required to be insured against by this Lease (an "Uninsured Loss"), and where all of the following occur:

10.2.1. No more than one hundred (100) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include both a copy of Lessee's notification to the Encumbrance Holder, if any, of Lessee's intention to exercise this option to terminate and Lessee's certification under penalty of perjury that Lessee has delivered or mailed such notification to the Encumbrance Holder in accordance with this subsection 10.2.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee's desire to terminate this Lease.

10.2.2. No more than sixty (60) days following the giving of the notice required by subsection 10.2.1 or such longer time as may be reasonable under the circumstances, Lessee shall, at Lessee's expense: remove all debris and other rubble from the

Premises; secure the Premises against trespassers; and, at County's election, remove all remaining Improvements on the Premises.

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

10.2.4. Within ten (10) days following County's receipt of the notice referred to in subsection 10.2.1, County has not received both written notice from the Encumbrance Holder, if any, objecting to such termination and an agreement containing an effective assignment of Lessee's interest in this Lease to such Encumbrance Holder whereby such Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee's obligations under this Lease.

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

10.4. No County Obligation to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises; provided, however, that Director shall in its good faith discretion consider the application of funds toward the maintenance, repair and replacement of the existing seawall protecting the Premises (the "Seawall") if and to the extent such funds are made available to Director for such uses by County and its Board of Supervisors. Director shall undertake such maintenance, repair and replacement, if any, with due diligence consistent with the funding provided. In the event the Seawall is in imminent danger of collapse or has collapsed, Director shall promptly seek funding from the Board of Supervisors for repair or replacement as may be necessary to avoid or repair such collapse. If County is obligated to maintain or repair the Seawall under the terms of a lease between the County and any other lessee in Marina del Rey, or if County in fact maintains or repairs the Seawall for the benefit of any other lessee in Marina del Rey, County shall have the same obligation(s) with respect to the seawall protecting the Premises. Except as expressly provided in this Section 10.4, County shall have no obligation to maintain or repair the Seawall.

10.5. Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, Director may notify Lessee of said failure in writing, and should Lessee fail to cure said failure and make repairs or replacements within a reasonable time, 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.

10.6. Other Repairs. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County-owned facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.6 and any

entry onto the Premises to perform work on the Seawall pursuant to Section 10.4 above, shall be made in accordance with the following requirements: (i) prior to entry onto the Premises County shall cause each of its contractors to provide to Lessee evidence that such contractor has procured commercial general liability insurance coverage pertaining to such contractor's activities on the Premises, which insurance coverage shall be consistent with County's insurance requirements generally applicable to County contractors, and shall name Lessee as an additional insured; (ii) County's contractors shall comply with industry standard safety requirements; (iii) County shall repair, or cause its contractors to repair, any damage to the Premises caused by the activities of County and/or its contractors on the Premises pursuant to this Section 10.6 or Section 10.4 above; and (iv) any entry onto the Premises by County or its contractors for the purpose of performing work pertaining to the Seawall shall be confined to the Promenade and the fire access lane over the Premises, except in extraordinary circumstances to the extent that due to the scope or nature of the work and/or due to safety concerns, the work cannot reasonably be confined to such area. In any such extraordinary situation County and Lessee agree to cooperate to define a work and/or access area that is reasonably acceptable to both parties.

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

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

10.9 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 pertaining to the Improvements constructed by Lessee on and after the Effective Date, 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 10.9), 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 10.9 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 10.9 shall be adjusted every three (3) years during the remaining Lease Term on each third (3<sup>rd</sup>) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding each such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.9 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.

## 11. ASSIGNMENT AND SUBLEASE.

### 11.1. Subleases.

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

11.1.2. Approval Required. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease or an Approved Apartment/Slip Lease, 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.

Notwithstanding any contrary provision of this Article 11, Lessee shall not be required to obtain County's approval of any Sublease of an individual apartment or boat slip unit in the ordinary course (but not the master lease of multiple units) to a person or persons who will physically occupy the subleased unit, as long as the term of such Sublease does not exceed one (1) year (each, an "Approved Apartment/Slip Lease"). The terms and provisions of Sections 11.2 and 11.3 of this Lease shall not be applicable to Approved Apartment/Slip Leases. Upon request by County, Lessee shall furnish County with a current rent roll respecting the Approved Apartment/Slip Leases and a copy of all of such Approved Apartment/Slip Leases.

11.1.3. Major Sublease. Lessee shall enter into a Major Sublease only with a reputable owner or manager of comparable residential apartment and marina facilities such as exist on the Premises. In light of the inherent detailed nature of a Major Sublease, Lessee shall deliver to County a copy of any proposed Major Sublease, or any sub-sublease or any other document pursuant to which an interest is proposed to be transferred in all or substantially all of the Premises, not less than sixty (60) days prior to the proposed effective date of such proposed Major Sublease or other document, for County's review and approval pursuant to the procedures and requirements specified in Section 11.2.

11.2. Approval of Assignments and Major Subleases. Except as specifically 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 B 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 the all or substantially all of the Premises. Notwithstanding the foregoing, Lessee shall have the right, without the prior approval of County, to retain E&S Ring Management Company, or another Affiliate of a general partner of Lessee, as the property manager for the Property. Any Change of Ownership shall constitute an assignment of Lessee's interest under this Lease. In addition, for purposes of this provision, the following acts of Lessee shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for 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 in a partnership owning an interest in this Lease. Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the

assignment as provided herein. These same limitations and approval requirements shall apply with respect to the Sublessee's interest under a Major Sublease.

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 of the Lessee's interest in this Lease (as opposed to ownership interests in Lessee itself) shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

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

11.2.3.1. Prior to entering into any agreement requiring the approval of County pursuant to 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 its 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. Nondisturbance and Estoppel. At the request of Lessee, County shall agree to execute a subordination, nondisturbance and attornment agreement, and a lessor's estoppel, on commercially reasonable terms in favor of any Major Sublessee or commercial 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 more than fifty percent (50%) of its interest in this Lease or the Premises at any time after July 31,

2022, or proposes to enter into any Major Sublease affecting the Premises for a term which commences after July 31, 2022 (with either such proposed transaction herein referred to as a "Proposed Transfer"), it shall provide County with written notice of such desire and the sale price ("Lessee Sale Price") at which it is willing to consummate the Proposed Transfer. Within sixty (60) days thereafter, County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest which is the subject of the Proposed Transfer. During said sixty (60) day period, Lessee may continue to market the interest which is the subject of 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 sixty (60) day period, County has given notice to Lessee that it has elected to acquire said option, Lessee shall deliver to County an assignable option to purchase the interest which is the subject of the Proposed Transfer ("County Option") at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. In the event that County causes Lessee to grant the County Option and subsequently County fails to purchase the interest which is the subject of the Proposed Transfer at the Lessee Sale Price, County shall pay to Lessee at the expiration of the County Option period (or, at County's election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum (the "County Option Price") which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County's election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to cause Lessee to grant the County Option within said sixty (60) day period or (b) gives notice that it has elected not to acquire the interest which is the subject of the Proposed Transfer, then Lessee shall be entitled to consummate the Proposed Transfer with a third party (subject to County's approval rights as otherwise set forth in this Lease) during the ensuing nine (9) month period so long as the Proposed Transfer price is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material terms to the transferee. In the event of a proposed Sublease or other permitted assignment of more than fifty percent (50%) but less than all of the Premises, County's election shall pertain to such portion of the Premises which is the subject of the proposed Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced and Lessee's obligation to pay Percentage Rent shall pertain only to the amounts derived from the portion of the Premises retained by Lessee. In the event that County elects to recapture all or any portion of the Premises as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination as to the applicable portion of the Premises. County's rights pursuant to this subsection 11.2.4 shall not apply to Financing Events or those events identified in subsection 4.6.2 of this Lease.

11.2.5. County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward

the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent, Percentage Rent, and all other amounts payable under the Lease, if any, with late fees and interest as provided herein, from the end of the period most recently subject to County audit through the date of the purchase of the interest by County. In lieu of the credit described in (2) above, Lessee may provide County with a letter of credit or other security satisfactory to County to secure the payment of such unpaid amounts when finally determined by County. During the term of the County Option, Lessee shall cause to be available to County all books and records reasonably necessary in order to determine the amount of such unpaid Annual Minimum Rent, Percentage Rent, and other amounts payable under the Lease. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

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

## 12. ENCUMBRANCES

12.1. Financing Events. 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) (as defined below). Lessee shall submit to Director a complete set of all proposed transaction documents in connection with each proposed Financing Event. Director shall have sixty (60) days in which to grant or withhold approval of the Financing Event. If not approved in writing within such sixty (60) day period, the proposed Financing Event shall be deemed disapproved by Director. Lessee shall further reimburse County for County's Actual Cost incurred in connection with its review of the proposed Financing Event, including without limitation the reasonable costs of in-house counsel, outside counsel and third party consultants. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof, a "Financing Event" shall mean any financing or refinancing

consummated by Lessee, whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below). Notwithstanding the foregoing provisions of this Section 12.1, County agrees that with respect to its approval of the Construction Loan, the sixty (60) day County approval period shall be reduced to thirty (30) days. In addition, in conjunction with obtaining County's approval of the Construction Loan Lessee shall have the right to submit to County for County's approval a commitment for a permanent loan to take out the Construction Loan (the "Permanent Loan"). If County approves such Permanent Loan commitment such approval shall remain effective only as long as the Permanent Loan is consummated on the terms described in such commitment and as an Initial Financing Event. County's approval of the Permanent Loan commitment shall not relieve Lessee of the obligation to obtain County's subsequent approval of the actual loan documents used to consummate such Permanent Loan (to the extent such documents are not submitted to and pre-approved by County at the time of County's approval of the Permanent Loan commitment), provided that County shall have no right to subsequently disapprove a Permanent Loan document if the grounds for such disapproval are County's disapproval of terms or conditions set forth therein which were previously approved by County in its initial approval of the Permanent Loan.

12.1.1. Encumbrances. As used in this Lease, an "Encumbrance" shall be any direct or indirect grant, assignment, transfer, mortgage, hypothecation, grant of control over, or other monetary encumbrance of 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 Sublessees, and a pledge of partnership interests or other beneficial ownership interests in Lessee by the principals of Lessee if a direct assignment of such partnership or ownership interests would have required County's consent under this Lease, to a lender (upon County approval of the Financing Event and consummation of the Financing Event, the "Encumbrance Holder") on the security of Lessee's interest in the Lease and the Premises, the shares or interests of beneficial ownership in Lessee, or otherwise secured by Lessee's rights in and to the Premises. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Financing Event shall be filed with Director not later than seven (7) days after the effective date thereof. These same limitations and approval requirements shall apply with respect to the financing and the Encumbrance Holder of any Major Sublessee's interest pursuant to a Major Sublease.

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

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

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



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

12.1.3.1. Any transferee under the provisions of subsection 12.1.2.1 which is a commercial bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust or other similar financial institution which ordinarily engages in the business of making loans secured by collateral similar to the Premises, or an affiliate thereof ("Institutional Lender"), shall be liable to perform the full obligations of Lessee under this Lease until a subsequent transfer of the Lease approved by County.

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

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

12.2. Right to Notice and Cure Defaults. All Encumbrance Holders and Major Sublessees shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, but prior to the termination of this Lease, and as further provided in Section 12.4, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.

12.3. No Subordination. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Minimum Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with Section 12.1, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder.

12.4. Delay in Exercising Termination Remedy. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than pursuant to Section 13.5), unless it first shall have given written notice of such default to each and every Major Sublessee and

Encumbrance Holder, where the Event of Default is one where notice is required to be given to Lessee pursuant to the terms of this Lease and the Encumbrance Holder and/or Major Sublessee have notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed below. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect.

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

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

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

(a) If an Encumbrance Holder or Major Sublessee cures, remedies and corrects the default within thirty (30) days after the end of Lessee's cure period as provided in Section 13.1 hereof; provided, however, if curing of such default requires activity over a longer period of time, such default may be cured if within said thirty (30) day period, such Encumbrance Holder or Major Sublessee commences and thereafter continues to use due diligence to perform whatever acts may be required to cure the particular default; in the event Lessee commences to cure the default within Lessee's applicable cure period and thereafter fails or ceases to pursue the cure with due diligence, the Encumbrance Holder's and Major Sublessee's thirty (30) day period shall commence upon the later of the end of Lessee's cure period or the date upon which County notifies the Encumbrance Holder and/or Major Sublessee that Lessee has failed or ceased to cure the default with due diligence.

(b) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of said thirty (30) day period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, said sixty (60) day period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing foreclosure proceedings by any 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 order, judgment or decree, said sixty (60) day period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty five (35) days after such foreclosure sale and the vesting of title in the

purchaser thereat (whether or not such purchaser is the Encumbrance Holder), said purchaser shall, as a condition to the completion of such transfer, cure, remedy or correct the default, or commence and thereafter pursue with due diligence, the performance of the thing or acts required to be done to cure, correct and remedy said default.

13. DEFAULT.

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

13.1.1. Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, Extension Payments or Deferred Rental Amount repayments), 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 (if any), 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.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including 13.1.4 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

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

13.3. Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.4 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 with respect to any such default, County at any time, by reason of Lessee's continuing failure, pays or expends any sum, Lessee shall immediately pay to County the lesser of the following amounts: (1) twice the amount expended by County to cure such default and (2) the amount expended by County to cure such default, plus one thousand dollars (\$1,000). To the extent practicable, County shall give any Encumbrance Holders or Major Sublessees the reasonable opportunity to cure Lessee's default prior to County's expenditure of any amounts thereon.

13.6. Default by County. County shall be in default in the performance of any obligation required to be performed by County under this Lease if County has failed to perform such obligation within thirty (30) days after the receipt of notice from Lessee specifying in detail County's failure to perform; provided, however, that if the nature of County's obligation is such that more than thirty (30) days are required for its performance, County shall not be deemed in default if it shall commence such performance within thirty (30) days and thereafter diligently pursues the same to completion. Lessee shall have no rights as a result of any default by County until Lessee gives thirty (30) days notice to any person having a recorded interest pertaining to County's interest in this Lease or the Premises. Such person shall then have the right to cure such default, and County shall not be deemed in default if such person cures such default within thirty (30) days after receipt of notice of the default, or such longer time as may be reasonably necessary to cure the default. Notwithstanding anything to the contrary in this Lease, County's liability to Lessee for damages arising out of or in connection with County's breach of any provision or provisions of this Lease shall not exceed the Fair Market 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, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees other than those whose Gross Receipts are reported under subsection 4.2.2(c) hereof, if any, shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-

entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or sublessee's or licensee's, as appropriate) other business operations, if any. Lessee shall utilize the accrual method of accounting with respect to its preparation of the reports and maintenance of records required herein or, at its option, may utilize the cash method of accounting, provided Lessee reconciles its filings, records and reports to an accrual method to the extent requested by County.

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

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

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, 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 for the current and five (5) prior Accounting Years 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. Upon at least one (1) business day advance notice (except no notice shall be required in the case of an emergency), County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable

times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

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

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

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

14.8. Annual Financial Statements. Within six (6) months after the end of each Accounting Year or, at Lessee's election, after the completion of Lessee's fiscal year, Lessee shall deliver to County a set of audited and certified financial statements prepared by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County, setting forth Lessee's financial condition and the result of Lessee's operations for such Accounting Year and shall include a certification of and unqualified opinion concerning Lessee's Gross Receipts (including a breakdown by category). All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

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

14.10. Inadequacy of Records. In the event that Lessee or its sublessees, licensees or concessionaires, as appropriate, fails to keep the records required by this Article 14 such that a Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach (subject to the limitations of this subsection with respect to a Sublessee Breach), County may prepare a calculation of the Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or

present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage Rent due, if any, Lessee shall pay such Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due. 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. Lessee shall receive a credit against such amounts in the amount of any deposits previously made by Lessee toward those costs. County shall deliver to Lessee a report detailing such expenditures (along with invoice summaries or other supporting documentation) within ninety (90) days after the Execution 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 December 26, 1984. Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary,



including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

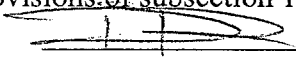
15.4.1.2. Lessee acknowledges that it may incur additional engineering and construction costs above and beyond those contemplated by either party to this Lease at the time of the execution hereof and Lessee agrees that, it will make no demands upon County for any construction, alterations, or any kind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

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

15.4.1.4. California Civil Code Section 1542 provides as follows:

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

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

  
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 of such repairs 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 with the express consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, on the same rental terms as applicable during the last month of the Term, and shall not constitute a renewal or extension of the Term. Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to

surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

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

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

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

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

15.9. Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required and other items deliverable to County hereunder shall be filed with or

delivered to the Department. Checks, drafts, letters of credit and money orders shall be made payable to the County of Los Angeles.

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

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

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested 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: Esprit One LLC  
c/o Douglas R. Ring  
11377 West Olympic Blvd.  
Los Angeles, California 90064-1683  
Phone: 310/312-3772  
Fax: 310/312-3100

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

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

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

15.14. Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease.

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 an affirmative vote of one or more of County's boards or commissions or County's Board of Supervisors, the time period for County performance of such action shall be extended as is reasonably necessary in order to secure such affirmative vote or approval and County shall not be deemed to be in default hereunder in the event that it fails to perform such action within the time periods otherwise set forth herein.

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

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

15.19. Waterfront Promenade. Lessee agrees to provide a continuous pedestrian walkway approved by County ("Promenade") along the entire waterfront portion of the Premises to comply with the intent of the Local Coastal Program's waterfront promenade plan. Unless otherwise agreed by Lessee and County, Lessee shall complete such Promenade within six (6) months after notice from County directing Lessee to commence construction of such facilities, provided that Lessee shall not be required to commence construction of the facilities described in this Section 15.19 prior to the Completion Date. The facilities to be constructed under this Section 15.19 shall be constructed in accordance with the provisions of Article 5. County hereby reserves a public easement and fire lane for access over and use of the Promenade for pedestrian purposes and such other related uses (including, if approved by County, bicycling, rollerblading and the like) as may be established by County from time to time, which public use shall be in accordance with such rules and regulations as are promulgated from time to time by County. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the Promenade established by County from time to time on a non-discriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Article 5 of this Lease. At the request of either party such legal description shall be recorded in the Official Records of County as a supplement to this Lease.

15.20. Dockmasters. Throughout the Term, Lessee shall maintain a dockmaster to manage Lessee's anchorage at the Premises. Such dockmaster shall be different than the dockmaster under the Parcel 15 Lease.

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

15.22. Water Taxi Docking Location. At County's request Lessee shall make available for use by County, or its designees, at no charge, a docking area for use by a water taxi serving the Marina or portions thereof. The water taxi docking area shall be in a location approved by County at the building platform of the boaters' facility building nearest the main channel. The obligation of Lessee to provide the water taxi docking area shall not commence until after the earlier of (i) forty-two (42) months after the Effective Date, or (ii) the date of the funding of Lessee's construction loan take-out financing. The rights of the County, or its designee, under this Section 15.22 shall include a right of access to and from the water taxi docking area in favor of County, its designees, and water taxi patrons. Lessee shall be responsible, at its cost, for construction, alteration, maintenance and repair of the water taxi docking area, and all pathways of access to and from the water taxi docking area, in conformity with all requirements of this Lease, including without limitation, compliance with all Applicable Laws (including without limitation, ADA) in effect from time to time. Lessee shall not be responsible for providing security for the operation of the water taxi docking area. The operation of the water taxi docking area shall be subject to such security and operation procedures and regulations as County may reasonably prescribe from time to time.

## 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 period (which shall not be less than thirty (30) 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 subsection 4.4.1. Written Appraisal Evidence shall 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 each 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. With respect to all disputes submitted to arbitration pursuant to this Article 16 (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 (or in the case of a nonmonetary dispute, closest to the position or resolution that the arbitrator determines to be most appropriate under the circumstances), 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 a separate dispute (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.

16.11. 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, County will draft a proposed amendment to the Lease setting forth the relevant terms of such award. Within seven (7) days after delivery of a copy of the amendment to Lessee, Lessee will sign the amendment and return the executed copy to County, which shall thereafter be approved by the Board of Supervisors and executed by County as soon as reasonably practicable.

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

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

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

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

16.15 Notice.

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

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

  
Initials of Lessee

  
Initials of County

17. DEFINITION OF TERMS; INTERPRETATION.

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

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

17.3. Business Days. For the purposes of this Lease, "business day" shall mean a business day as set forth in Section 9 of the California Civil Code; provided that Saturday shall not be considered a business day hereunder.

17.4. Parties Represented by Consultants, Counsel. Both County and Lessee have entered this Lease following advice from independent financial consultants and legal counsel of their own choosing. This document is the result of combined efforts of both parties and their consultants and attorneys. Thus, any rule of law or construction which provides that ambiguity in a term or provision shall be construed against the draftsman shall not apply to this Lease.

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

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

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

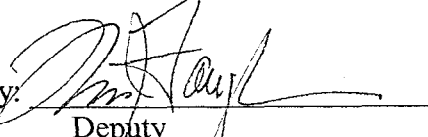
17.8. Memorandum of Lease. The parties hereto shall execute and acknowledge a Memorandum of Lease Extension, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Execution Date.

17.9. No Current Defaults. As of the Effective Date, each of County and Lessee certifies that to the best of its knowledge the other party is not in breach or default of its obligations under this Lease, nor has any event occurred nor does any condition exist, which with the giving of notice and/or the lapse of time would constitute a default by the other party under this Lease.

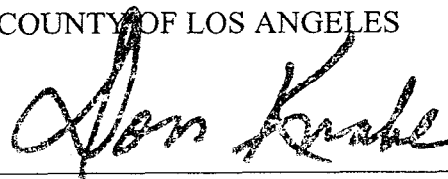
IN WITNESS WHEREOF, County has, by order of its Board of Supervisors, caused this Lease to be subscribed by the Chairman of said Board and attested by the Clerk thereof, and Lessee has executed the same as of the Effective Date.


APPROVED AS TO FORM:

LLOYD W. PELLMAN  
COUNTY COUNSEL

By:   
Deputy

THE COUNTY OF LOS ANGELES

By:   
Chairman, Board of Supervisors

ATTEST: VIOLET VARONA-LUKENS  
EXECUTIVE OFFICER -  
CLERK OF THE BOARD OF SUPERVISORS  
By: , Deputy



ESPRIT ONE LLC,  
a California limited liability company

By:   
Douglas R. Ring, Manager

SIGNATURES CONTINUED ON NEXT PAGE

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

24

DEC 2 2003

  
VIOLET VARONA-LUKENS  
EXECUTIVE OFFICER

ATTEST:

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

By: *D. Castañeda*  
Deputy



APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: *[Signature]*

LEGAL DESCRIPTION

Marina Del Rey  
Lease Parcel No. 12R

Parcels 133 to 149 inclusive, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessor's Map No. -88, filed in Book 1, pages 53 to 70 inclusive, of Assessor's Maps, in the office of the Recorder of said County.

Reserving and excepting unto the County of Los Angeles rights of way for sanitary sewer, storm drain, fire access and harbor utility purposes in and across those portions thereof designated on said map as easements to be reserved by said County for such purposes.

Subject to the public easement reserved by County of Los Angeles in Section 15.19 of the Lease to which this Exhibit "A" is attached.

DESCRIPTION APPROVED

August 26, 1969

JOHN A. LAMBIE

County Engineer

By Edgar Stankala Deputy

EXHIBIT "A"

## EXHIBIT B

### ASSIGNMENT STANDARDS

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

1. The proposed transferee must have a net worth determined by the County in the exercise of its reasonable judgment to be sufficient in relation to the financial obligations of the lessee pursuant to the specific lease involved. A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth or similar security satisfactory to the County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.
2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to the County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All approvals of the County will not be unreasonably withheld or delayed.
3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or own entity which will so acquire Lessee's interest, irrespective of the tier at which individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of the County.
4. The price to be paid for the Proposed Transfer shall not result in a financing obligation of the proposed transferee which jeopardizes its ability to meet rental obligations to the County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.
5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the assignee must agree that) the County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the applicable lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not



done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.
7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.
8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.

## **EXHIBIT C**

### **PERMITTED USES**

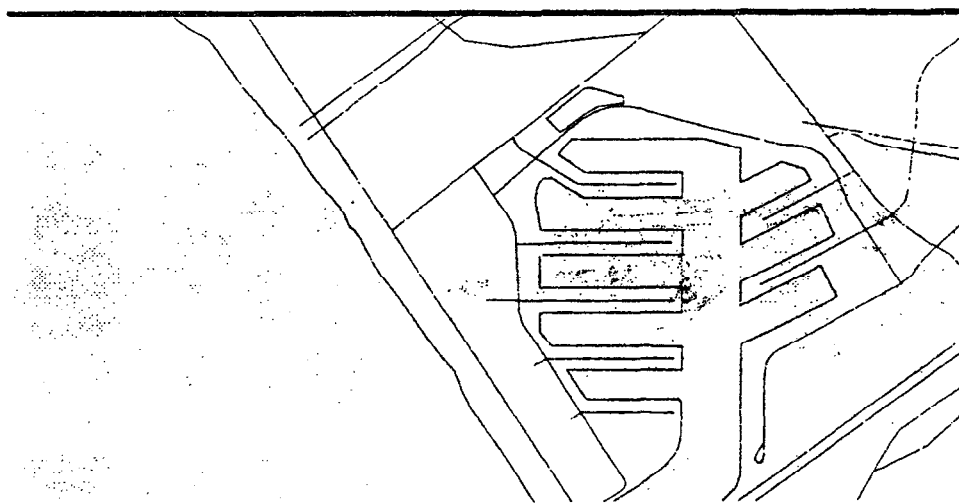
The Permitted Uses shall be the operation and management of a residential apartment project consisting of 437 new units, of which there shall be 35 senior units (very low income), boat anchorage facilities containing 227 new slips, including transient boat accommodations and live-a-boards, and 2,000 square feet of visitor-serving commercial.

**EXHIBIT D**

**MINIMUM STANDARDS**

*SPECIFICATIONS AND MINIMUM STANDARDS*  
*of*  
*ARCHITECTURAL TREATMENT AND*  
*CONSTRUCTION*

*Marina del Rey, California*



SPECIFICATIONS AND MINIMUM STANDARDS  
OF ARCHITECTURAL TREATMENT AND CONSTRUCTION \*

LOS ANGELES COUNTY  
DEPARTMENT OF BEACHES & HARBORS

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\*Amendments approved by the Los Angeles County Board of Supervisors on October 17, 1989.

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SECTION 1: GENERAL

A. DEFINITION OF CERTAIN TERMS

COUNTY: County shall mean the County of Los Angeles, Department of Beaches and Harbors.

DESIGN CONTROL BOARD: Design Control Board shall mean the Board appointed by the Board of Supervisors to review and approve the architectural design and arrangement of facilities constructed at Marina del Rey.

DIRECTOR: Director shall mean the Director of the County Department of Beaches and Harbors.

ENGINEER: Engineer shall mean the Director of the Public Works Department of the County of Los Angeles.

BOARD: Board shall mean the Board of Supervisors of the County of Los Angeles.

APPROVAL: Approval, whenever approval is required, shall mean approval by the Department of Beaches and Harbors, County of Los Angeles, which shall obtain any additional approvals required of the architectural Design Control Board or the Board of Supervisors.

BUILDING CODES: Building Codes shall mean the Los Angeles County Uniform Building Codes, State Health and Safety Codes, or other laws, statutes, rules and regulations which are applicable, and clearance or approval of said codes are required for any item of construction.

LESSEE: Lessee shall mean the successful bidder awarded the lease of the parcel of land or water.

LEASE: Lease shall be the lease issued by the County of Los Angeles for conduct of business within Marina del Rey.

CONTRACTOR: Contractor shall be the contractor, individual, partnership, or corporation, licensed under the laws of the State of California who or which shall contract to construct facilities for the lessee at Marina del Rey.

ARCHITECT: Architect shall be the lessee's architect for the design and preparation of plans and specifications for construction under the terms of the lease. The architect at all times shall utilize only structural, electrical, mechanical, landscape, and other engineers duly licensed under the Business and Professions Code of the State of California. Said licensed engineers shall be used for the phases of work normally accomplished by a licensed engineer as indicated by the title and scope of the license.



## B. GENERAL

The intent of these specifications is to provide guides and requirements (in addition to existing building laws, zoning ordinances, and all other applicable ordinances) for construction and to establish minimum standards, spacing, and other requirements for construction of land and water facilities at Marina del Rey.

The lessee or his contractor shall comply with all regulations, including the applicable building laws or codes, zoning ordinances, and other laws, statutes, and rules and regulations, and shall be responsible for obtaining all clearances and all permits required under said ordinances, laws, statutes, and rules and regulations. The minimum standard specifications set forth herein shall govern for construction at Marina del Rey. Clearances for the requirements hereunder shall be obtained from the County. All drawings, plans and specifications, and contract documents will be submitted to the County (in addition to those required by applicable building codes, ordinances and zoning regulations) as set forth herein.

## C. APPROVAL OF PLANS AND SPECIFICATIONS

Approval of the County is required for all drawings, specifications, plans, change orders, supplemental drawings, and other documents prepared by the lessee and utilized to govern the contractor in the construction of facilities at Marina del Rey.

Plans and specifications shall be submitted to the County for approval within the time specified in the Lease in phases as follows:

1. Schematic plans
2. Preliminary plans
3. Working drawings

## D. PERMIT AND PLAN CHECK FEES

The lessee or his contractor shall obtain and pay for permits and plan check fees required under the applicable building laws or codes or other applicable laws, including permits for plumbing, electricity, automatic sprinklers, heating, ventilation, refrigeration, or other items of construction as required by law. All licenses and inspection fees in connection with construction by the lessee shall be the responsibility of the lessee or his contractor.

E. PLAN REVIEW FEE

In addition to the fees required by the applicable building laws or codes and other applicable laws, and upon submittal of working drawings and specifications to the County for processing and approval, the lessee shall accompany the same with a check payable to the Department of Beaches and Harbors, County of Los Angeles, in an amount calculated on the basis of the table below to cover the costs of said plan review. One-half of the total sum shall be paid upon submittal of schematic plans, the remaining one-half to be paid upon submittal of working drawings.

TABLE FOR COMPUTING COUNTY PLAN REVIEW FEES

<u>Fee Description</u>	<u>Authority</u>	<u>Fee Basis</u>	<u>Date Fee last Changed</u>	<u>Current Fee</u>	<u>Responsible Division</u>
Plan Review Fee	County Code 2.116.020B Mdr Lease Sec.5	Based on Grad. Scale used by Public Works Department	10/85	"See Below"	Planning
		<u>Estimated Construction Costs (ECC)</u>	<u>Fees</u>		<u>Responsible Division</u>
		\$100 - \$15,000	\$25 + .60% of ECC		Planning
		\$15,001 - \$30,000	\$125 + .33% of ECC in excess of \$15,000		Planning
		\$30,001 - \$70,000	\$175 + .13 % of ECC in excess of \$30,000		Planning
		\$70,001 - \$175,000	\$225 + .20% of ECC in excess of \$70,000		Planning
		\$175,001 - \$375,000	\$425 + .05% of ECC in excess of \$175,000		Planning
		\$375,001 - \$500,000	\$525 + .33% of ECC in excess of \$375,000		Planning
		\$500,001 and up	\$925		Planning

#### F. ARCHITECTURAL DESIGN

1. No improvements will be made or structures erected upon said premises without the prior approval of the Design Control Board.
2. Before commencing any construction work or improvements upon the premises, the lessee will submit to the Design Control Board a complete set of drawings, plans, and specifications of the proposed improvements, and the Board shall have the right to make and order changes, modifications, or alterations in said drawings, plans and specifications. All such drawings, plans and specifications must be approved by the Board as submitted, or as so changed, and no change shall thereafter be made without the consent of said Board given in writing.

#### G. ALTERNATIONS, REMODELING AND CHANGES

1. Lessees planning redevelopment or remodeling shall submit schematic plans and specifications as described below.

Prior to initiating schematic plans for redevelopment or remodeling, lessees are required to meet with the Department to present an overview of anticipated changes, and to discuss necessary agency approvals.

2. Said schematic plans and specifications shall include a schematic site layout of land and water areas. This site layout shall also delineate all easements of record. The plans shall show uses, buildings, landscaping, and other features thereon, schematic floor plan of all structures, simple elevation of all buildings, detailed description of improvements, outline specifications showing materials to be used, and the estimated cost of said improvements. If the lease covers both land and water areas, the schematic drawings shall not be considered by the Design Control Board until the complete land and water layout and use is shown.

A complete description of the proposed development shall include the following information:

- a. If anchorages are involved, indicate the number and sizes of slips, number of gangways, and the number and location of restroom facilities, including showers.
- b. Describe the type of protective railing to be installed along the bulkhead line.
- c. Give a general description of parking areas, landscaping and lighting for both land and water.

- d. Indicate type of building, proposed architectural treatment, number of stories, approximate gross area and floor space.
- e. If living quarters are involved, describe briefly and indicate the proposed number of units and any recreational facilities such as swimming pools, tennis courts, etc.
- f. In addition to living units, describe other types of services, including such things as hardware, chandlery, brokerage, snack bars, restaurants, etc., giving approximate areas, seating capacity involved and approximate floor area of the whole building.

The above outline is offered as a guide. The description should be in sufficient detail to allow the reader to form a visual picture and evaluate the contemplated construction program, including functional relationships, so that a complete analysis of the proposal may be accomplished. Each description must include the facilities required to accomplish the prescribed land use, including any related activities.

- 3. Eight (8) copies of the schematics shall be submitted to the Director for processing.
- 4. Upon approval of schematic plans, the lessee shall immediately initiate preliminary drawings and submit not less than eight (8) copies to the Director for processing and approval.
- 5. Said preliminary drawings shall consist of:
  - a. Detailed site layout of land and water areas, including existing easements or easements set forth in the lease.
  - b. Floor plans of all structures.
  - c. Outline specifications.
  - d. Elevations of all buildings.
  - e. Estimated cost of improvement.
- 6. Samples of proposed exterior materials should be included with submittal of preliminary drawings at Design Control Board meeting.
- 7. Working drawings and specifications shall be started immediately upon approval of preliminary drawings by the County.

8. Eight (8) copies of the working drawings shall be submitted to the Director for processing and approval.
9. Completed working drawings shall consist of the following:
  - a. One (1) complete set of construction drawings.
  - b. Plans and specifications and other contract documents.
  - c. After approval by the Design Control Board of the working drawings, the lessee shall proceed to enter into a contract or contracts for construction within the time specified in the lease.
  - d. Immediately after entering into a contract or contracts for construction, the lessee shall satisfy the performance and surety bond requirements as set forth in the lease and shall furnish to the County original signed copies of the bid bond and other contract documents before initiating construction.
10. As-built drawings.

One (1) copy of reproducible transparencies of the as-built drawings shall be submitted to the County for review and retention in a permanent file.

11. The basis of the County's approval of specifications will be as follows:
  - a. Uses proposed for the development must comply with all ordinances and with the lease (or exhibits thereto) describing permitted uses.
  - b. Adequacy of facilities. Consideration will be given as to how adequately the proposed development will serve the purposes for which it is intended. Among the factors in this consideration will be the following:
    1. Functional adequacy. All intended activities shall be properly sized and related.
    2. Circulation and driveways. All driveways, entrances, exits, loading areas and other parts of the vehicular circulatory system shall be safe, efficient and of adequate dimensions.
    3. All parking areas shall be located close to the activity they serve and shall be of sufficient quantity. The following ratios are acceptable minimums:

a. Parking Space Per Boat Mooring

Lessee shall provide 0.75 parking spaces per boat slip.

b. Dry Boat Storage in Anchorage

Where the major land use is for an anchorage, and if it is desired to add some storage and launching of small boats, lessee shall provide one (1) car parking space for every four (4) boats dry stored. Dry storage and launching for such combinations may only be added to an anchorage area upon approval of the Director. Anchorage dry boat storage does not include dinghy storage.

c. Small Boat Dry Storage and Trailer Boat Launching

Where the major land use is for dry land storage and launching of small boats:

1. Use: Dry land storage capacity for boats  $\times \frac{1}{2}$  = car parking space requirement for boats dry stored.
2. Car and boat trailer parking requirements in addition to the above.

Use: Daily hoist capacity minus  $\frac{1}{2}$  number of boats dry stored  $\times 50\%$  = number of car and boat trailer parking spaces.

d. Miscellaneous Activities in Connection With Berthing Areas

Offices, snack bars, concessions, brokerage and retail activities (purely for use of patrons at the anchorage). Provide one (1) parking space per 400 square feet of building or store.

e. Requirements for Anchorage Commercial Activities

Where commercial activities in an anchorage are primarily related to marine use and not limited to patronage of anchorage tenants, lessee shall provide four (4) parking spaces per 1,000 square feet of building area.

f. Requirements for General Commercial Activities

Where commercial activities are primarily retail and not associated with "e" above - lessee shall provide four (4) parking spaces per 1,000 square feet of building area.

g. Restaurants

Requirements for restaurants and other eating and drinking establishments shall be one (1) car parking space for each three (3) persons, based on the occupancy load as determined by the County.

h. Transient Dwelling Units

Requirements for hotels, motels, boatels, and other transient living accommodations shall include not less than one (1) car parking space per each two guest rooms and one (1) car parking space for each suite of guest rooms.

i. Residential Dwelling Units

Where the primary land use is residential dwelling units, parking shall comply with Section 22.52.1180 of the County Parking Code.

j. Dwelling Units in Anchorages

Where the primary land use is an anchorage and dwelling units are incorporated therein, slip parking may be reduced ten percent (10%) below requirements set forth in "a" above.

k. Marine Repairs

Where marine repair (haul-out) yards are established with anchorages as a related use, additional parking shall be provided on the basis of 0.75 spaces for each repair space.

l. Handicapped Parking

As required by Ordinance No. 22.52.1070 of the County Parking Code.



m. Employee Parking

Lessees shall provide employee parking in an amount which the Director finds adequate to prevent traffic congestion and disruption of on-site activities and that of neighboring leaseholds.

n. Compact Parking

Not more than 40% of the required number of parking spaces, and any parking spaces in excess of the required number, may be compact automobile parking spaces. Spaces for compact shall be distributed throughout the parking area. Compact parking for apartment houses requires a parking permit as required by Ordinance No. 22.56.990.

o. Loading Areas

Every non-residential use shall provide sufficient on-site loading and unloading space, or shall conduct loading and unloading operations at such time or in such fashion so as to prevent such activities from causing traffic congestion in the parking lot or adjacent streets and highways.

SECTION 2: LANDSIDE

#### A. EASEMENTS

All site plans shall clearly delineate thereon all easements of record or set forth in the Lease and no permanent structures shall be erected within the easement lines. However, landscaping, driveways, walks, and other open areas may utilize easement areas subject to the approval of the County.

#### B. SIGNS

All signs and/or emblems shall be subject to review and approval by the Director and the Design Control Board. Signs shall be in keeping with the development of the Marina as a whole and designed with the prime purpose limited to furnishing of information regarding name and location of business or facility.

The Director and the Design Control Board will, among other things, review and approve size, shape, materials, placement and colors of signs to ensure that they fall within the "Revised Permanent Sign Controls and Regulations" of the Design Control Board, revision date September 16, 1971.

Glare and reflection on the water areas must be held to a minimum.

#### C. CANOPIES AND AWNINGS

All canopies and awnings shall be subject to approval by the County and the Design Control Board.

#### D. RESTROOMS

The distance from the pierhead end of any main walk to the nearest restroom for each sex shall not exceed 350 feet.

Requirements for sanitary facilities for anchorages are not set forth in building codes or health regulations. For the purposes of establishing minimum requirements at Marina del Rey for sanitary facilities in addition to those required under the normal building codes for buildings and other related facilities, the following will be required for, and in connection with, the boat slips.

1. Water closet for each sex for each 25 boat slips or as otherwise approved by the Design Control Board.

NOTE: For the male sex, two (2) urinals may be substituted for one water closet. Where urinals and water closets are used in combination, there shall be not less than two (2) urinals and one (1) water closet. In all combinations, the ratio of water closets to urinals shall never be less than 1-to-1.

2. Lavatory for each sex for each 25 boat slips or as otherwise approved by the Design Control Board.

#### E. GARBAGE DISPOSAL

Collection of garbage on a unit-to-unit basis is not contemplated at this time at Marina del Rey. All centers or units preparing food or producing garbage shall have garbage disposals or garbage grinders.

Fish cleaning centers shall have adequate sink, drainboard space and water with garbage grinders of sufficient capacity to dispose of all refuse.

#### F. RUBBISH DISPOSAL

All combustible and noncombustible rubbish will be collected by rubbish disposal operators. All lessees shall provide adequate screened areas for storage of rubbish. Adequate and conveniently located trash receptacles shall be provided for boater usage. The storage area shall be so located as to provide ready access by the rubbish collector.

#### G. LANDSCAPING

Landscaping, including layout, plant material and quantity, as well as areas to be utilized, shall be subject to approval by the County and the Design Control Board.

#### H. UTILITY LINES

All utility lines, including power and telephone, shall be underground. Capacities, location, design and construction shall conform to recognized practice for utilities distribution within the Marina, and shall be subject to approval by the County. Fire hydrants shall be located and constructed to standards required by the County and lessee shall maintain access thereto at all times over paved roads.

All utilities are extended to the property line by the County or utility company. The lessee shall construct and maintain all utilities within his leasehold at his expense and shall pay all installation costs required by servicing utilities.

I. FLAGPOLES, RADIO, TELEVISION AND SATELLITE ANTENNAS

Design and location of all flagpoles shall be subject to the approval of the County. All radio and television antennas shall be located as approved by the County for one lease area or combination of more than one under the same lessee. Only one master radio and/or television antenna shall be allowed. Individual radio or television antennas, excepting those being normal equipment on a vessel, will not be permitted. Satellite installations must be approved by the Design Control Board.

# J. BUILDING HEIGHT RESTRICTIONS \*

<u>Symbol</u>	<u>Maximum Building Height</u>
1	1 story only.
2	2 story or 25 feet above curb elevation at street.
3	3 story or 35 feet above curb elevation at street.
U	Unlimited, except as may be governed by the Los Angeles County Building Code and/or Zoning Ordinance or other competent jurisdiction.

<u>Original Parcel No.</u>	<u>Current Parcel No.</u>	<u>Building Height Symbol</u>
1	1S	1
2	112 T and 113R	3 and U (See Page 19)
3	3	U
4	111T (portion)	(See Page 19)
5	111T (portion)	3 (See Page 19)
6	111T (portion)	3 (See Page 19)
7	7	3
8	8R	3
9	9R	U
10	10	3
11	11	3
12	12	3
13	13	3
14	14	3
15	15T	3
16	15T	3
17 )		3
18 )	18R	3
19 )		3
20	20	3
21	21	3
22	22	2
	( 100	
23	( 101	U
	( 102 (portion)	
24	( 102 (portion)	U
	103R	

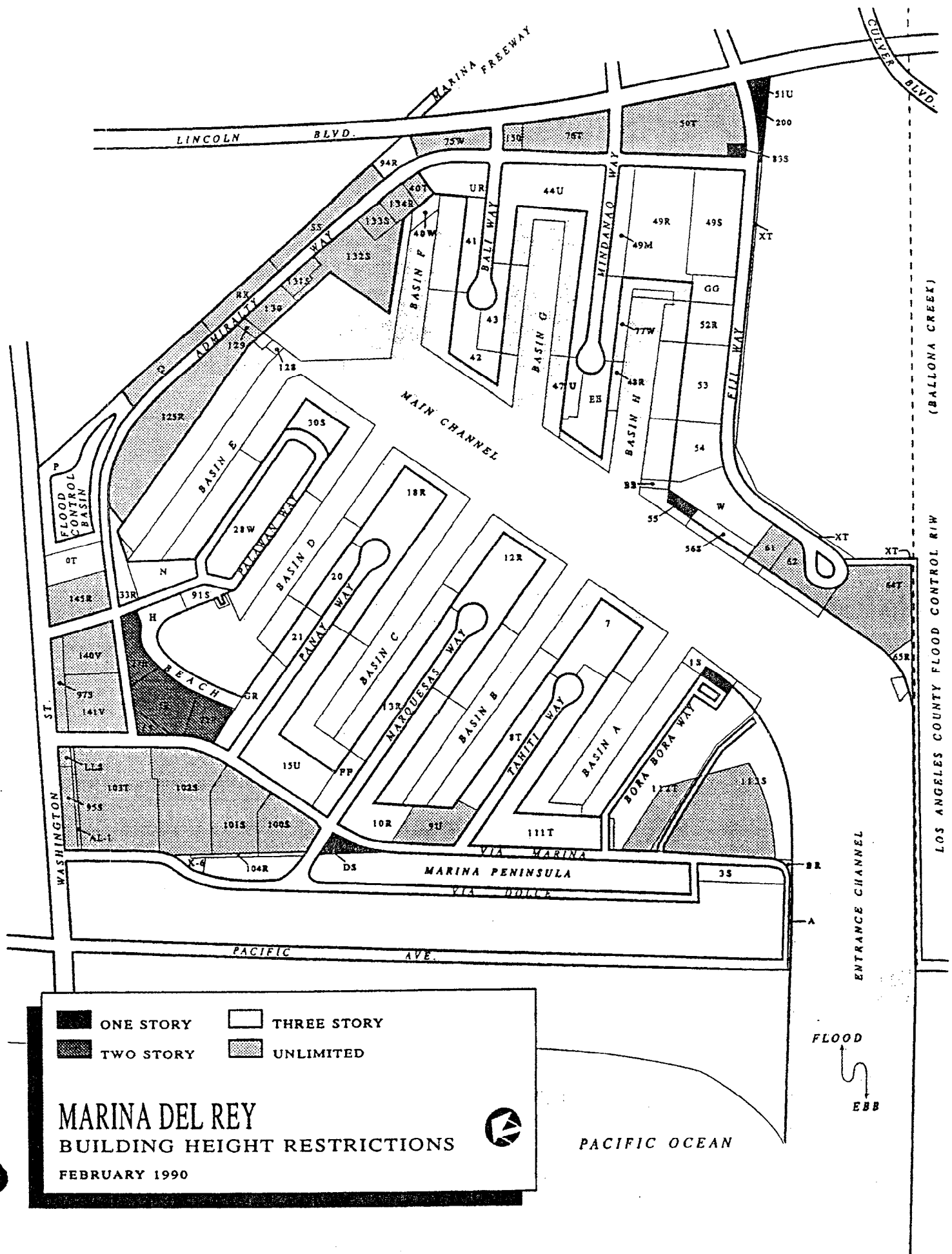
\* Per original lease, building height changes allowed under the certified Marina del Rey/Ballona Land Use Plan require a lease amendment.

Original Parcel No.	Current Parcel No.	Building Height Symbol
25	95 (portion)	U
	97R (portion)	U
	LL (portion)	1
26	140V	U
	141V	U
27	27	2
28	28R (portion)	3
29		3
30	30	3
31	28R (portion)	3
32		3
33	33R	3
34	145	3
35		1
36	125	U
37		U
38	132 (portion)	
	( 131	1
39	( 132 (portion)	
	( 133	U
40	40	3
41	41	3
42	42	3
43	43	3
44 )		3
45 )	44T	3
46 )		3
47 )	87S	3
48		3
49	77T	3
50	50R	U
51	51	1
52	78T	3
53	53	3
54	54	3
55	55	1
56 )		3
57 )		3
58 )	56S	3
59 )		3
60 )		3
61	61	U
62	62	U
64	64	U
65	65R	3
66	97R (portion)	1
67	75T	U
76	76R	U
79	111T (portion)	3 (See Page 19)

Original Parcel No.	Current Parcel No.	Building Height Symbol
80	111T (portion)	3 (See Page 19)
81	15T (portion)	3
L	95 (portion)	undesignated
T	94	undesignated

NOTE: Wherever Parcel Numbers occur elsewhere in this Specification, said numbers shall be interpreted to correlate with the revised list hereinabove indicated.





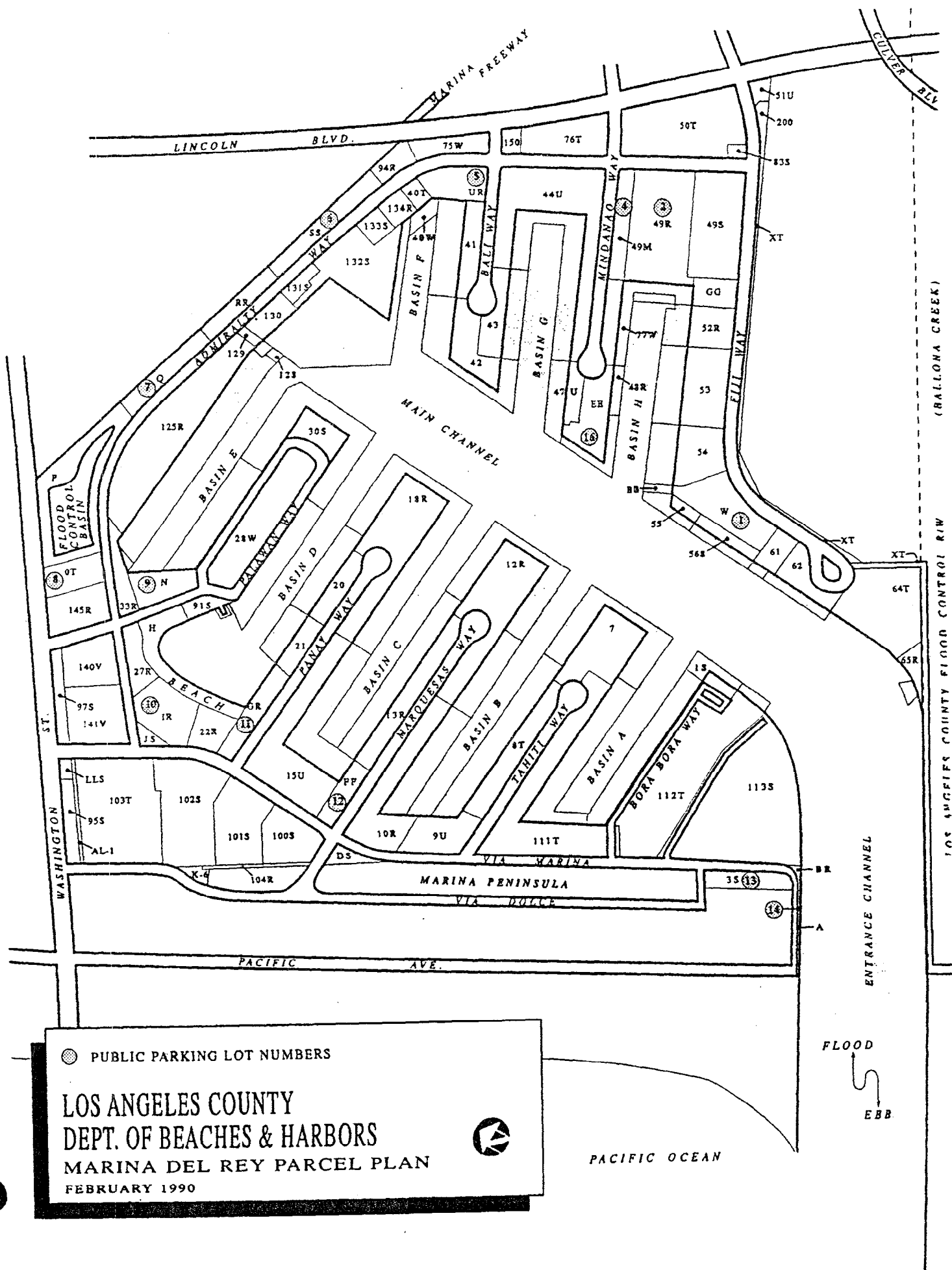
- |   |           |   |             |
|---|-----------|---|-------------|
|  | ONE STORY |  | THREE STORY |
|  | TWO STORY |  | UNLIMITED   |

**MARINA DEL REY**  
**BUILDING HEIGHT RESTRICTIONS**  
FEBRUARY 1990



PACIFIC OCEAN

FLOOD  
↑  
EBB  
↓



# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	Net Leasable Areas		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
1S	14,746	52,989	Fuel Dock
7	218,423	266,550	Anchorage and apartments
8T	197,263	303,875	Anchorage and apartments
9U	159,662	None	Hotel
10R	318,927	203,927	Anchorage and apartments
12R	338,281	446,550	Anchorage and apartments
13R	223,544	320,000	Anchorage and apartments
15U	457,122	290,000	Anchorage and apartments
18R	338,282	446,550	Anchorage and apartments
20	96,136	150,000	Anchorage
21	112,500	140,395	Anchorage and recreational facilities
22R	77,999	None	Retail sales, concession and motel
27R	121,651	None	Retail sales, coffee shop, beach concessions and motel
28W	370,151	441,914	Anchorage and apartments
30S	149,014	483,400	Anchorage and yacht club
33R	94,969	13,043	Restaurant and guest docks
40T	27,379	None	County Library
41	102,685	138,540	Anchorage
42 & 43	271,539	387,676	Anchorage, hotel, restaurant
44U	445,581	312,624	Anchorage, marine sales and service center, dry storage and launching of portable boats

# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	Net Leasable Areas		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
47U	83,600	161,523	Anchorage
48R	None	25,000	Scout Sea Base
50T	423,681	None	Retail shopping center
51U	22,440	None	Gasoline station
52R	88,687	45,300	Public parking (interim)
53	184,421	130,000	Boat repair yard and anchorage
54	158,992	130,000	Boat repair yard and anchorage
55	22,197	42,583	Fuel dock
56S	52,500	56,250	Sportfishing center
61	47,300	11,250	Restaurant and guest docks
62	73,517	37,673	Arthur G. Will Administration Building (County and U.S. Coast Guard Base)
64T	278,276	None	Apartments
65R	26,656	9,259	University Boathouse
75W	52,083	None	Medical Center
76S	165,941	None	Office building and commercial complex
77W	127,277	27,223	Dry storage and launching of portable boats
91S	26,185	9,600	Small boat launching pier (public)
93R	7,947	None	Pipeline easement
94R	39,971	None	Parking
95S	73,919	None	Commercial
97R	80,483	None	Commercial

# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	<u>Net Leasable Areas</u>		<u>Primary Uses</u>
	<u>Land Sq. Ft.</u>	<u>Water Sq. Ft.</u>	
100S	128,692	None	Apartments
101S	213,970	None	Apartments
102S	400,984	None	Apartments
103T	495,105	None	Apartments
104R	19,549	None	Storage facilities
111T	405,926	310,983	Anchorage and apartments
112T	692,183	350,794	Anchorage and apartments
113S	958,820	None	Apartments
125R	858,265	457,739	Anchorage, apartments (including condominium units), hotel, restaurant, etc.
129	18,268	8,727	County Fire Station
130	72,057	None	Restaurant
131S	38,486	None	Restaurant
132R	247,708	433,632	Anchorage and yacht club
133S	56,941	None	Restaurant
134R	40,560	None	Office building
140V	86,109	None	Apartments
141V	147,226	None	Hotel and restaurant
145R	90,194	None	Hotel, coffee shop
150	20,303	None	Commercial development
200	25,745	None	Electric substation
BB	None	11,706	University boathouse mooring

## MARINA DEL REY SMALL CRAFT HARBOR

Land and Water Use Plan (Summary)

Parcel No.	Net Areas		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
The following parcels are reserved to or operated by the County of Los Angeles:			
A	29,800	None	Park site - public parking (County Lot No. 14)
BR	29,998	None	Aubrey E. Austin Memorial Park
DS	31,290	None	Buffer-park
FF	89,213	None	Public parking (County Lot No. 12)
GR	104,047	None	Public parking (County Lot No. 11)
HS	257,103	None	Public beach
IR	105,485	None	Public parking (County Lot No. 10)
JS	15,837	None	Harold L. Edgington Park
K-6	21,084	None	Service areas, access
LLS	9,783	None	Harbor Directory (County Lot No. 15)
NR	75,049	None	Public parking (County Lot No. 9)
OT	70,381	None	Public parking (County Lot No. 8)
P	486,809	None	Drainage basin and bird conservation
Q	119,342	None	Admiralty Park - public parking (County Lot No. 7)
RR	92,558	None	Admiralty Park
SS	148,070	None	Admiralty Park turf parking (County Lot 6)
UR	97,305	None	Public parking (County Lot No. 5)
W	177,868	None	Public parking (County Lot No. 1)
XT	44,858	None	Buffer Strip
3S	100,468	None	County Lot No. 13
49S	129,812	None	Public dry boat storage (County Lot No. 3)
49M	109,824	None	Public parking (County Lot No. 4)
49R	499,063	41,800	Public parking - launching ramp (County Lot No. 2)
83S	13,984	None	Harbor Directory (County Lot No. 17)
EE	313,277	70,255	Burton W. Chace Park - transient boat docks (County Lot No. 16)
GG	45,909	5,000	County Maintenance Center
AL-1	16,757	None	Alley

(Numbers and letters not shown have been OMITTED due to revision of original parcel boundaries or usage).

## MARINA DEL REY SMALL CRAFT HARBOR

### Land and Water Use Plan (Summary)

#### Related Uses

Related uses when specifically approved by the Director are permitted with any of the primary land and water uses. Related uses are defined as those uses complementary to and generally associated with the major use. Thus, related uses for anchorages could be brokerage, insurance, transient living accommodation, marine sales, snack bar, marine hardware, and similar commercial activities designed primarily to meet the needs of the tenants of the anchorage. Hotel, motel, or apartment complexes could have as related uses specialty shops, service facilities, coffee shops, and similar commercial activities designed primarily to meet the needs of the tenants of the development.

NOTE: Refer to County "Specifications" for parking ratios, landscaping requirements, height limits, etc.

#### SETBACK RESTRICTIONS

15 feet back from bulkhead line.

Building setback - No actual building setback will be specified except as required along the bulkhead line. Preliminary layouts will be reviewed by Design Control Board for good practice.

RRL:yp/fg  
rp16/19  
8-8-88

K. RECOMMENDED LAND AND WATER USES

MARINA DEL REY SMALL CRAFT HARBOR

Land and Water Use Plan (Summary)

Parcel No.	<u>Net Leasable Areas</u>		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
1S	14,746	52,989	Fuel Dock
7	218,423	266,550	Anchorage and apartments
8T	197,263	303,875	Anchorage and apartments
9U	159,662	None	Hotel
10R	318,927	203,927	Anchorage and apartments
12R	338,281	446,550	Anchorage and apartments
13R	223,544	320,000	Anchorage and apartments
15U	457,122	290,000	Anchorage and apartments
18R	338,282	446,550	Anchorage and apartments
20	96,136	150,000	Anchorage
21	112,500	140,395	Anchorage and recreational facilities consisting of handball, racquetball, and auxiliary amenities.
22R	77,999	None	Retail sales, concession and motel
27R	121,651	None	Retail sales, coffee shop, beach concessions and motel
28W	370,151	441,914	Anchorage and apartments
30S	149,014	483,400	Anchorage and yacht club
33R	94,969	13,043	Restaurant and guest docks
40T	27,379	None	County Library
40W	-0-	14,698	Under review
41	102,685	138,540	Anchorage
42 & 43	271,539	387,676	Anchorage, hotel, restaurant
44U	445,581	312,624	Anchorage, marine sales and service center, dry storage and launching of portable boats



# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	<u>Net Leasable Areas</u>		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
47U	83,600	161,523	Anchorage
48R	None	25,000	Scout Sea Base
50T	423,681	None	Retail shopping center
51U	22,440	None	Gasoline station
52R	88,687	45,300	Public parking (interim)
53	184,421	130,000	Boat repair yard and anchorage
54	158,992	130,000	Boat repair yard and anchorage
55	22,197	42,583	Fuel dock
56S	52,500	56,250	Sportfishing center
61	47,300	11,250	Restaurant and guest docks
62	73,517	37,673	Arthur G. Will Administration Building (County and U.S. Coast Guard Base)
64T	278,276	None	Apartments
65R	26,656	9,259	University Boathouse
75W	52,083	None	Medical Center
76T	165,941	None	Office building and commercial complex
77W	127,277	27,223	Dry storage and launching of portable boats
91S	26,185	9,600	Small boat launching pier (public)
93R	7,947	None	Pipeline easement
94R	39,971	None	Parking
95S	73,919	None	Commercial
97S	80,483	None	Commercial
100S	128,692	None	Apartments

## MARINA DEL REY SMALL CRAFT HARBOR

Land and Water Use Plan (Summary)

Parcel No.	<u>Net Leasable Areas</u>		Primary Uses
	<u>Land Sq. Ft.</u>	<u>Water Sq. Ft.</u>	
101S	213,970	None	Apartments
102S	400,984	None	Apartments
103T	495,105	None	Apartments
104R	19,549	None	Storage facilities
111T	405,926	310,983	Anchorage and apartments
112T	692,183	350,794	Anchorage and apartments
113R	920,682	None	Apartments
125R	858,265	457,739	Anchorage, apartments (including condominium units), hotel, restaurant, etc.
129	18,268	8,727	County Fire Station
130	72,057	None	Restaurant
131S	38,486	None	Restaurant
132S	247,708	433,632	Anchorage and yacht club
133S	56,941	None	Restaurant
134R	40,560	None	Office building
140V	86,109	None	Apartments
141V	147,226	None	Hotel and restaurant
145R	90,194	None	Hotel, coffee shop
150	20,303	None	Commercial development
200	25,745	None	Electric substation
BB	None	11,706	University boathouse mooring

# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	Net Leasable Areas		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
The following parcels are reserved to or are operated by the County of Los Angeles:			
A	29,800	None	Park site - public parking (County Lot No. 14)
BR	29,998	None	Aubrey E. Austin Memorial Park
DS	31,290	None	Buffer park
FF	89,213	None	Public parking (County Lot No. 12)
GR	104,047	None	Public parking (County Lot No. 11)
HS	257,103	None	Public beach
IR	105,485	None	Public parking (County Lot No. 10)
JS	15,837	None	Harold L. Edgington Park
K-6	21,084	None	Service areas, access
LLS	9,783	None	Harbor Directory (County Lot No. 15)
NR	75,049	None	Public parking (County Lot No. 9)
OT	70,381	None	Public parking (County Lot No. 8)
P	486,809	None	Oxford Flood Control Basin
Q	119,342	None	Admiralty Park - public parking (County Lot No. 7)
RR	92,558	None	Admiralty Park
SS	148,070	None	Admiralty Park turf parking (County Lot No. 6)
UR	97,305	None	Public parking (County Lot No. 5)
W	177,868	None	Public parking (County Lot No. 1)
XT	44,858	None	Buffer strip
3S	100,468	None	(County Lot No. 13)

# MARINA DEL REY SMALL CRAFT HARBOR

## Land and Water Use Plan (Summary)

Parcel No.	Net Leasable Areas		Primary Uses
	Land Sq. Ft.	Water Sq. Ft.	
The following parcels are reserved to or are operated by the County of Los Angeles:			
49S	129,812	None	Public dry boat storage (County Lot No. 3)
49M	109,824	None	Public parking (County Lot No. 4)
49R	499,063	41,800	Public parking - launching ramp (County Lot No. 2)
83S	13,984	None	Harbor Directory (County Lot No. 17)
EE	313,277	70,255	Burton W. Chace Park - transient boat docks (County Lot No. 16)
GG	45,909	5,000	County Maintenance Center
AL-1	16,757	None	Alley

(Numbers and letters not shown have been OMITTED due to revision of original parcel boundaries or usage).

#### L. RELATED USES

Related uses when specifically approved by the Director are permitted with any of the primary land and water uses. Related uses are defined as those uses complementary to and generally associated with the major use. Thus, related uses for anchorages could be brokerage, insurance, transient living accommodation, marine sales, snack bar, marine hardware and similar commercial activities designed primarily to meet the needs of the tenants of the anchorage. Hotel, motel or apartment complexes could have as related uses specialty shops, service facilities, coffee shops and similar commercial activities designed primarily to meet the needs of the tenants of the development.

NOTE: Refer to County "Specifications" for parking ratios, landscaping requirements, height limits, etc.

#### M. SETBACK RESTRICTIONS

15 feet back from bulkhead line.

Building Setback: No actual building setback will be specified except as required along the bulkhead line. Preliminary layouts will be reviewed by the Design Control Board for good practice.

#### N. NOTE - DWELLING UNITS

Motels, boatels and hotels as used herein are intended to mean single or multi-unit dwellings designed primarily for transient or overnight use.

Apartments as used herein is intended to mean single or multi-use dwellings designed primarily for residential use.

Q. SPECIAL LANDSCAPE REQUIREMENTS

Certain parcels within the Marina have sloping banks. Slopes are 3-to-1; that is, the banks are constructed so that they rise 1 foot for each 3 feet horizontally. This area is not included in the rental area. The lessee will pay no rent for this area, and cannot build on or over such slope area. However, the lessee must landscape and maintain the sloped area. Shown below are mandatory landscape requirements and the slope area in square feet required to be landscaped and maintained.

1. MANDATORY LANDSCAPE - Lessee will be required to plant and maintain landscaping on the slope banks on the Washington Street side of the property.

Parcel 24 (now 102 - 103R)	72,078 $\pm$ sq. ft.
Parcel 26 (now 97R)	37,647 $\pm$ sq. ft.
Parcel 34 (now 145)	9,750 $\pm$ sq. ft.

2. MANDATORY LANDSCAPE - Lessee will be required to plant and maintain a 10 foot landscape strip along Lincoln Boulevard westerly of the 10 foot access and utilities easement reserved by County.

Parcel 45 (now 44)	8,245 $\pm$ sq.ft.
Parcel 50 (now 50R)	9,432 $\pm$ sq. ft.

3. MANDATORY LANDSCAPE - Lessee will be required to plant and maintain landscaping on the slope bank adjacent to Dell Avenue (private road easement).

Parcel 23 (now 101 - 102)	22,570 $\pm$ sq. ft.
Parcel 24 (now 102 - 103)	(included in area shown under Item 1 above)

P. LANDSIDE PERMITS

1. Planning Permits.

The following must be submitted for the review and approval of the Department of Beaches and Harbors prior to applying for a Building Permit:

- a. An accurate, to-scale, layout showing lease lines, proposed project footprint, adjoining improvements, and setbacks.
- b. Parking analysis.
- c. Financial pro-forma indicating extent of projected revenue changes.

Subsequent to obtaining conceptual approval from the Department of Beaches & Harbors, planning permits must be obtained from the Coastal Commission and Regional Planning Department. Pertinent plans, plan check number, calculations, reports, etc., must be submitted directly to these agencies (see Exhibit 1).

Please note that approval will require thorough plan reviews and will probably not be a "same day/over the counter" process. Some items resulting from the agency plan reviews may affect the building plan check. These should be communicated to the building plan check engineer as soon as possible. All planning approvals must be furnished to the Building and Safety office prior to building permit issuance.

You must obtain these approvals directly from:

- a. Beaches & Harbors Department  
13837 Fiji Way  
Marina Del Rey, CA  
Telephone: (213) 305-9530
- b. Coastal Commission  
245 West Broadway, Suite 380  
Long Beach, CA  
Telephone: (213) 590-5071
- c. Regional Planning Department:
  - \* Land Use/Zoning.
  - \* Legal Lot Determination.
  - \* Parking and Landscaping.
  - \* Compliance with General Plan and Coastal Plan.
  - \* Setbacks.

320 West Temple Street, Room 1360  
Los Angeles, CA  
Telephone: (213) 974-6411

**Footnote:** Until such time as the Marina del Rey/Ballona Local Implementation Program is certified by the California Coastal Commission(CCC), plans must also be approved by CCC.

2. Building Permits.

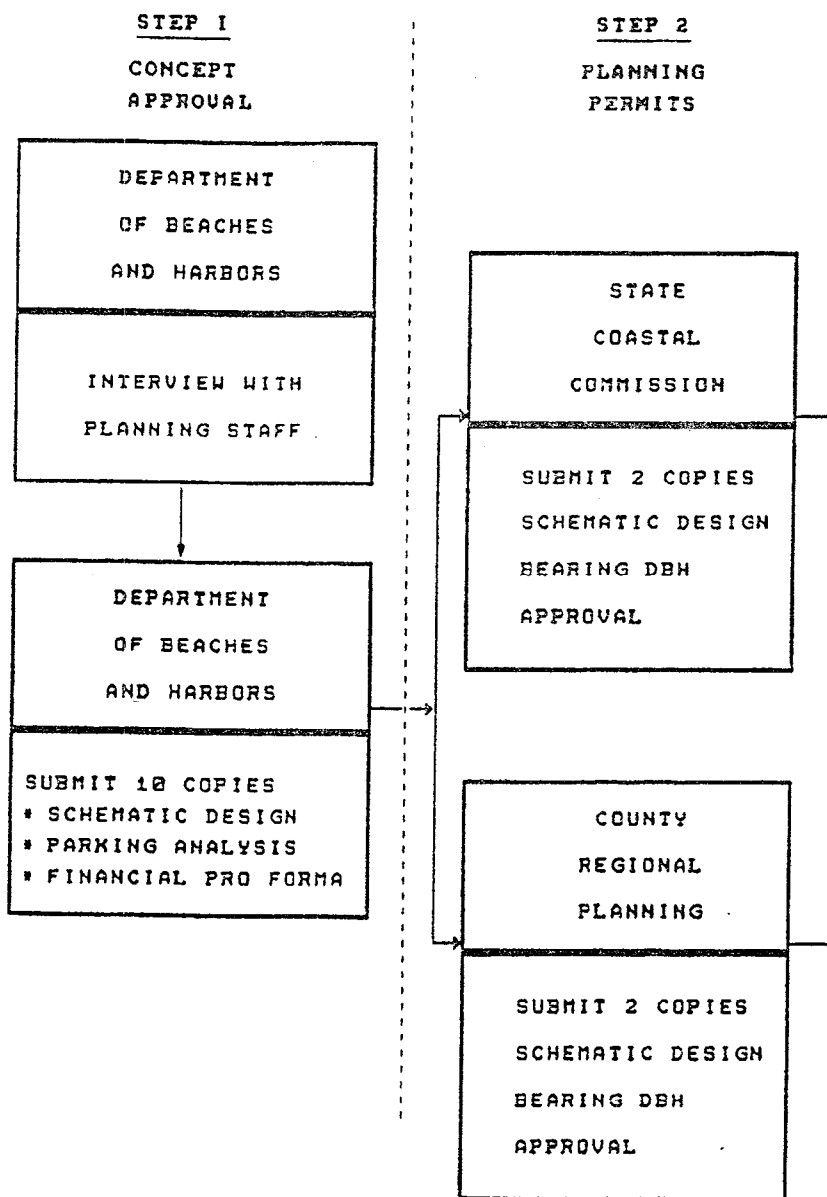
Once planning approvals have been obtained, the applicant must submit construction drawings to the Building & Safety Division, the Fire Department and the Department of Beaches & Harbors. If a fuel facility is involved, application must also be made to the Waste Management Division.

Approvals and/or comments from the Department of Beaches & Harbors and the Fire Department will be forwarded directly to the Building & Safety Division for processing. The final Building Permit will be issued by the Building & Safety Division after its plan check and application approval, plus the approval of the Department of Beaches & Harbors and the Fire Department.

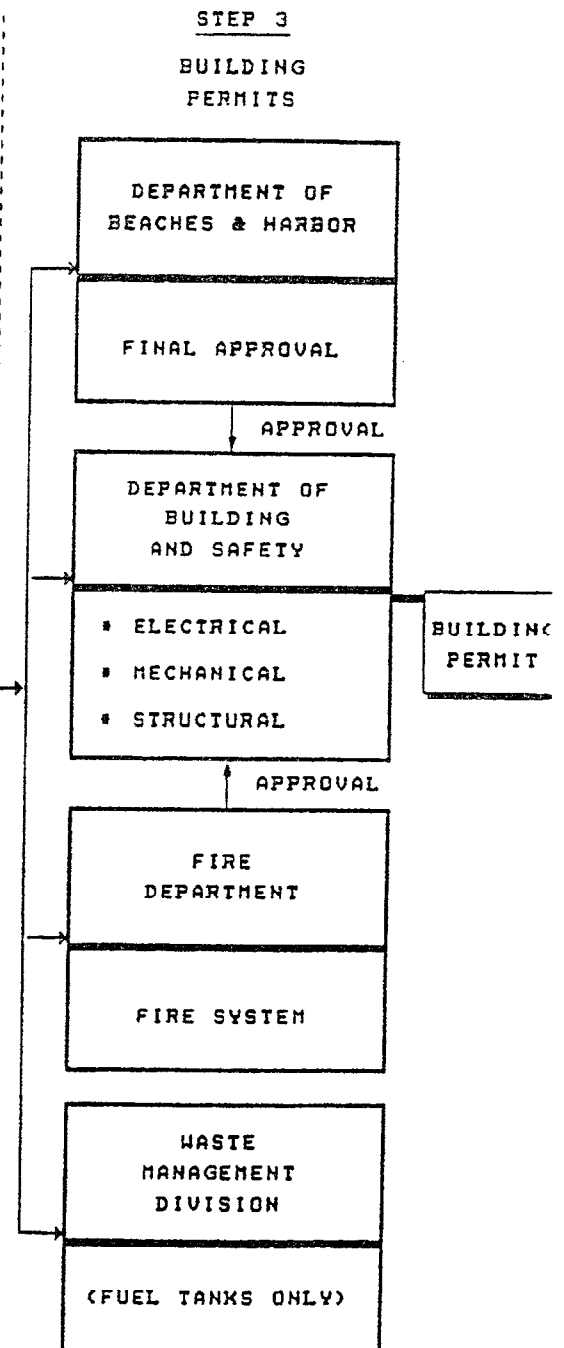
- a. Beaches & Harbors Department  
13837 Fiji Way  
Marina Del Rey, CA  
Telephone: (213) 305-9530
- b. County of Los Angeles, Department of Public Works  
Building and Safety Division  
**LENNOX DISTRICT OFFICE**  
4353 Lennox Boulevard  
Lennox, CA 90304  
Telephone: (213) 419-5651
- c. Fire Department (a stamp and letter is required):  
  
Fire Protection Engineering  
Fire Prevention Bureau  
5823 Rickenback Road  
Commerce, CA 90040  
Telephone: (213) 720-5141  
  
Lennox - Lawndale  
24320 Narbonne Avenue  
Lomita, CA  
Telephone: (213) 325-5410  
  
Fire Prevention Bureau  
101 Centre Plaza Drive, Room G  
Monterey Park, CA 91754  
Telephone: (213) 264-0194
- d. Waste Management Division  
900 South Fremont Avenue  
Alhambra, CA 91803  
Telephone: (818) 458-3561



## SCHEMATIC DESIGN



## CONSTRUCTION DOCUMENTS



LOS ANGELES COUNTY

LANDSIDE PERMIT PROCESS

(EXHIBIT 1)

**FOOTNOTE:** Until such time as the Marina del Rey/Ballona Local Implementation Program is certified by the California Coastal Commission (CCC), plans must also be approved by the CCC.

SECTION 3:    WATERSIDE

## A. GLOSSARY OF TERMS

The following definitions are for use in conjunction with the Specifications and Minimum Standards of Architectural Treatment and Construction, and are not intended to be applicable in other locations or contexts (see Figure A).

Berth. A berth is the area of water allocated to tie up and store a boat. A berth may be a "slip" or a "side-tie".

Bulkhead Wall. A bulkhead is a retaining wall which divides dry land areas and water areas; also called a seawall.

Channel. A channel is the main waterway into and out of Marina del Rey and its eight main basins.

Dock. A dock is a floating structure to which boats are tied, and which is used for pedestrian access to and from the boats.

Dolphin. A dolphin is a multi-pile structure which is used for mooring large boats which generally cannot be accommodated by floating docks.

End-Tie. End-tie berths are side-ties which are located on the outermost end of a walkway. In this instance, the boat is generally situated beyond the pierhead line and in the channel.

Fairway. A fairway is the area of water adjacent to slips that feeds into a channel, and which is used for direct access to slips. The fairway water area is defined as laying between the outer end of a line of fingers and the nearest obstruction (i.e., other slips, bulkhead, etc.).

Finger. A finger is a portion of a floating dock section which is perpendicular to the walkways and is used for tying up and boarding boats.

Freeboard. Freeboard is the distance between the water surface and the walking surface of the dock system.

Gangway. A gangway is a structure which provides pedestrian access from land to the floating docks. One end is generally attached to the bulkhead with a hinge, and the other end rolls on wheels which rest directly on the dock surface. The word "brow" is synonymous with "gangway".

Main Walkway. A main walkway is that portion of a dock which serves as a primary pedestrian access to fingers and slips. Fingers are attached directly to main walkways. Main walkways are generally perpendicular to the bulkhead and are used for routing utilities.

Marginal Walkway. A marginal walkway is a portion of a dock which connects one main walkway to another, and to which no fingers are attached.

Pier Head Line. A pier head line is a lease line which divides a marina water parcel and a channel. No structures are allowed beyond the pier head line.

Side-tie. A side-tie is a berth which has tie-up capability and access only along one side of the boat.

Slip. A slip is a berth with a finger on one side and either a boat or a finger on the other. A single slip is a berth with a finger on each side. A double slip accommodates two boats with one finger on one side of each boat.

Walkway. A walkway is a wide portion of the floating dock system which is used for pedestrian access.

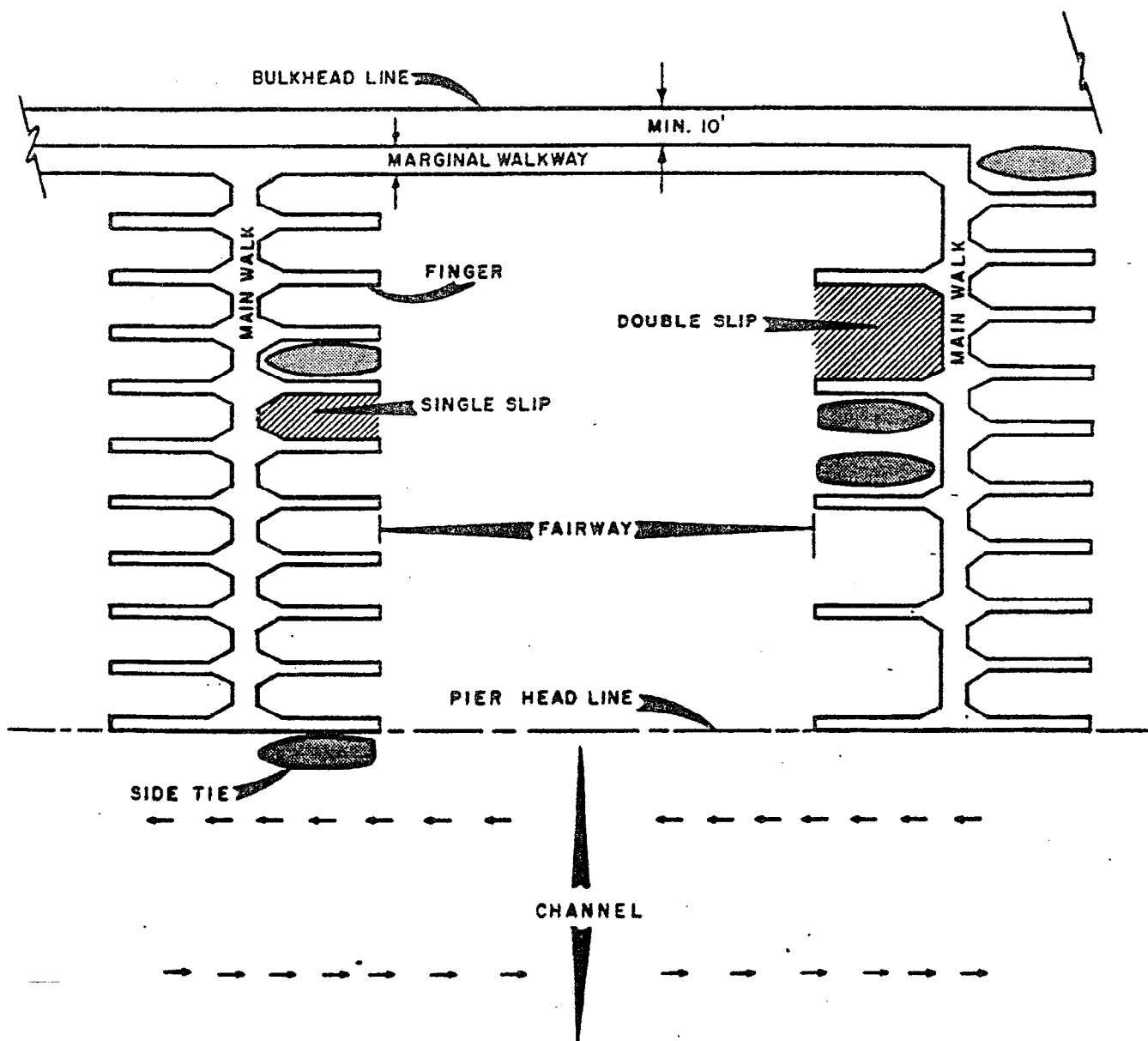


FIGURE A

#### B. PIERHEAD LINE

The pierhead line is a line parallel to and 200 feet measured at right angles from the bulkhead line within basins where anchorages are to be the prime water use, and 50 or 75 feet measured at right angles from the bulkhead line in other basin areas and along the main channel across the end of the mole. This line is the limited distance from the bulkhead beyond which no structures, including but not limited to docks, piles, floats, or other facilities, shall be erected by the lessee.

#### C. BULKHEAD ZONE

The bulkhead zone is the water and riprap area between the bulkhead line (face of the wall) and a line parallel to the bulkhead measured at right angles, ten (10) feet from the wall.

No structures, whether fixed or floating, may be constructed in this zone. Boats may not be moored within the bulkhead zone. The only allowable intrusions into the bulkhead zone are gangways necessary to access the floating docks. Utility lines shall be securely fastened to the under surface of the gangways. Utility loops at the top and bottom of gangways shall be designed to minimize intrusion into the bulkhead zone.

#### D. WATER AREA STRUCTURES

In general, all water areas within Marina del Rey between the pierhead and bulkhead lines are leased for three main purposes:

1. The docking and mooring of boats on a permanent basis.
2. Landing floats and docks for temporary mooring and visitors or interim use for landing and retrieving land-stored or trailer-borne boats.
3. Floats or structures for the dispensation and sale of petroleum products and accessories to serve the boatman.

#### E. FUEL FLOATS

Fuel floats used for the dispensing of petroleum products shall be adequately designed and placed to provide maximum service to the boater. Adequate guide piles or dolphins shall be required to provide permanence, safety, and stability. Fuel floats must be designed to support the dead loads imposed by the dispensers, hose reels, storage, etc.

Fuel facilities shall be in conformance with County, State and Federal codes, ordinances and law. Equipment, such as floating spill booms or absorbent systems, shall be kept on the fuel dock to contain fuel spills.

Installation or removal of fuel tanks or lines requires a permit from the Waste Management Division of the Los Angeles County Department of Public Works.

#### F. MARINA LAYOUT REQUIREMENTS

The mooring floats and slips shall conform to the following:

1. All main walkways will be at right angles to the bulkhead line and shall have a minimum width of 8 feet.
2. Marginal walks, where used, shall be parallel to the bulkhead line and shall have a minimum width of 8 feet.
3. Slip widths shall be in accordance with the "Layout and Design Guidelines for Small Craft Facilities," by the California Department of Boating and Waterways.
4. Fingers shall be at right angles to the main walks. However, if it is desirable to construct slips at an angle, approval for use of such slips must first be obtained from the Director. Whether at right angles or at an angle, length of slips shall be determined by the length measured along the center line of finger floats from the edge of main walks to the outer end of finger floats. Length of boats occupying slips shall be governed by the slip lengths for calculating overhang or obstructions to free movement in the fairways. All fingers forming individual slips shall have the following minimum widths:
  - a. Slips for boats 35 feet and under shall have a minimum finger width of 36 inches.
  - b. Slips for boats over 35 feet in length shall have a minimum finger width of 48 inches.
  - c. Slips for boats 60 feet and over in length shall have a minimum finger width of 60 inches.
  - d. Finger floats for double slips (that is, 2 boats between adjacent finger floats) may be used, providing the slip does not exceed 30 feet in length. However, when double slips are used, the minimum width of finger floats shall be 36 inches.

- e. No main walks shall be built adjacent to the boundary line between two adjoining water parcels held under separate lease. Where the boundary line between parcels is common to parcels held by the same lessee, said boundary line may be disregarded for slip layout.
- f. Fairways are required between the end of slips and the parcel boundary where two adjacent water parcels are under separate lease. The fairway required between the end of slips and parcel boundary for each separate parcel shall be  $1/2 \times (1.75 \times \text{the longest slip})$ , but in no case shall the slip lengths, for purposes of calculation of the fairway width, be less than 30 feet.

Where lessees have water parcels with a common boundary, the first lessee (based on date of award of lease) shall provide the fairway width between the end of the slip and the parcel boundary equal to  $1/2 (1.75 \times \text{the length of the longest slip})$  constructed adjacent to the parcel boundary. (Minimum slip length, for purposes of calculation, is 30 feet.)

The adjoining lessee constructing his slips at a later date (based on award of lease) must, if the slip lengths are greater than 30 feet in length, leave a fairway based on the length of the longest slip adjacent to the common parcel boundary whether said longest slip is constructed by himself or the adjoining lessee.

- 5. Outer end and side-tie fingers shall be one foot wider than minimal widths for all finger lengths.



Examples illustrating paragraph "e" above:

Example 1 (see Figure B, page 40).

Where each adjoining lessee constructs the same length slip adjacent to each side of the common boundary between water parcels, S1 and S2 will be the same.

Therefore, f1 and f2 will be the same. If both lessees construct 40 foot slips,  $s1 = 40$  feet.  $f1 = 1/2 (S1 40 \text{ ft.}) \times 1.75 = 35$  feet.  $f2 = (S2 40 \text{ ft.}) \times 1.75 = 35$  feet, or a total fairway width of 70 feet.

Example 2 (see Figure C, page 40).

Where the adjacent lessees do not construct slips of equal length adjacent to the common boundary of the water parcel, apply the following formula.

Example:

Assume S1 = 50 feet. Assume S2 = 35 feet.

Lessee R (right side of sketch) is the first lessee to be awarded a lease. Compute the width f2 for fairway as follows:  $f2 = 1/2 (35 \times 1.75) = 30.63$  feet.

The Lessee L (left side of sketch) receiving his lease at a later date decides to construct 50 foot slips. Compute his required portion of the fairway (f1) as follows:  $f1 = 50 \times 1.75$  minus  $f2 = 56.87$  feet.

If Lessee L was the first to receive his lease, the fairway would be computed as follows:  $f1 = 1/2 (50 \text{ ft.} \times 1.75) = 43.75$  feet.

Continuing, Lessee R is the second lessee and decides to construct 35 foot slips adjacent to the parcel boundary. The computation for f2 would then be as follows:  $f2 = 50 \times 1.75$  minus  $f1 = 43.75$  feet.

From the two illustrations under Example 2, it is clear that the second lessee (the one to receive the award of lease last) must provide balance of the fairway width based on the formula  $F = S \times 1.75$ , where "S" is equal to length of the longest slip constructed adjacent to parcel boundary.

The fairway thus provided shall be the necessary turning area for access to slips on each side of the common boundary and shall be used in common by all boats berthed adjacent to said common boundary.

Where boundaries of any water parcel extend beyond the boundary of the land parcel in a given leasehold, lessee shall not be given access to, or on, the adjoining land belonging to another lessee unless by separate agreement between affected lessees, and with approval of the County. Lessee having a water parcel which extends beyond the boundary of the land parcel must provide water access to any main walk constructed in that portion of the water lot which extends beyond the land parcel within the leasehold.

Where complicated or angular boundaries affect water lease areas, and the water area adjacent to such boundaries are not under the same lease, the basic rules set forth above shall govern. However, the final arrangement of slips must be approved by the Director.

Final arrangement of slip lengths and fairways of all parcels, (subject to the above controls) as they may affect the slip lengths and fairways of adjacent water parcels under separate lease, shall be approved by the Director.

S = Slip Length

W = Slip Width

F = Fairway or turning basin between ends of slips

X = Distance between main walks.

C = Finger float width

$$F = 1.75 \times S$$

$$X = 2 \times S \text{ (longest slip)} + 1.75 \times S + 8 \text{ feet}$$

All dimensions are computed at right angles to the main walks.

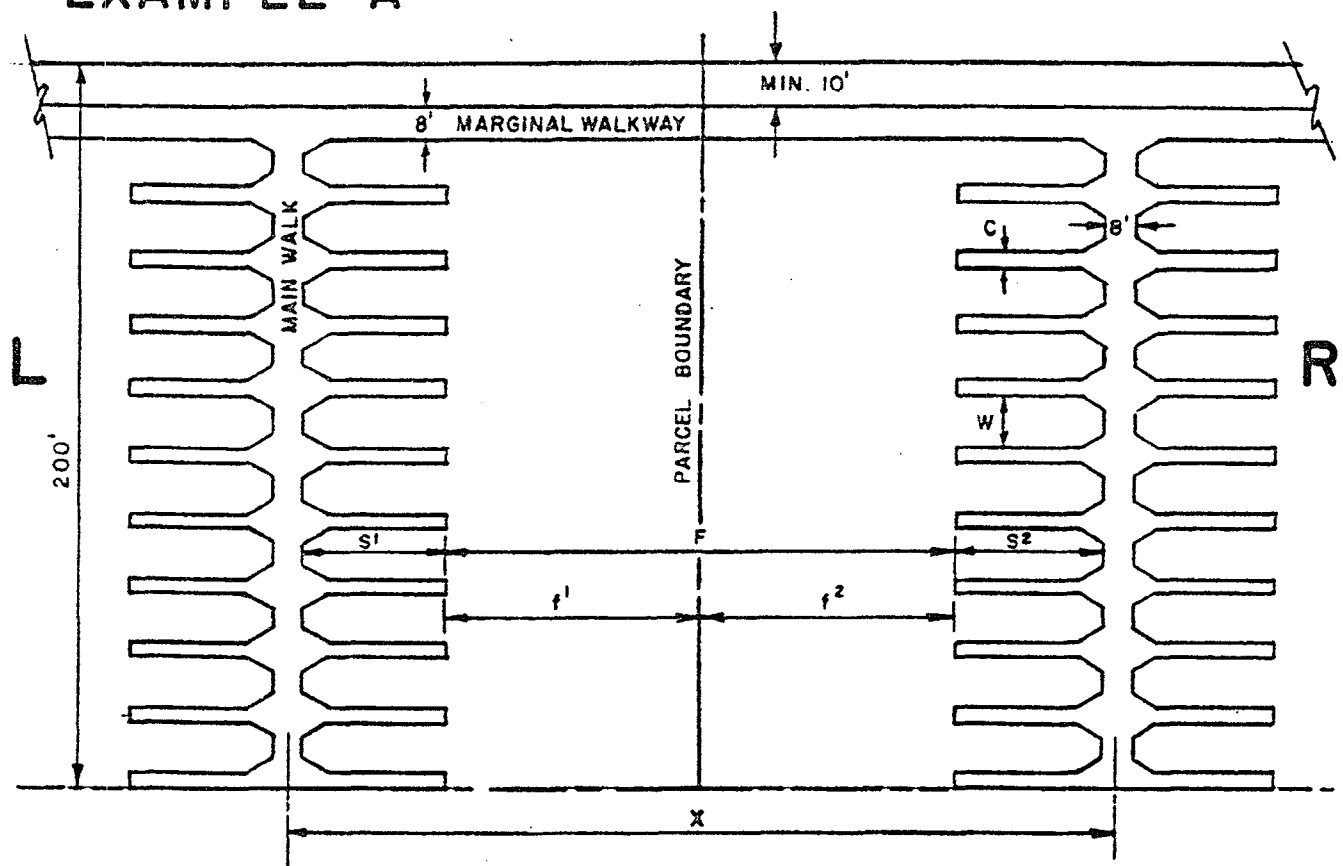
#### MINIMUM DIMENSIONS

S	C	F	X
35' and under	36"	(compute)	(compute)
Over 35'	48"	(compute)	(compute)
61' and over	60"	(compute)	(compute)
Double slip 24' or less	48"	42'*	104'*

- \* Minimum fairway width except adjacent to parcel boundaries (see page 37, paragraph 4f, of this modification for fairways adjacent to parcel boundaries).

# FLOATING DOCK

## EXAMPLE 'A'



**FIGURE B**

# FLOATING DOCK

## EXAMPLE 'B'

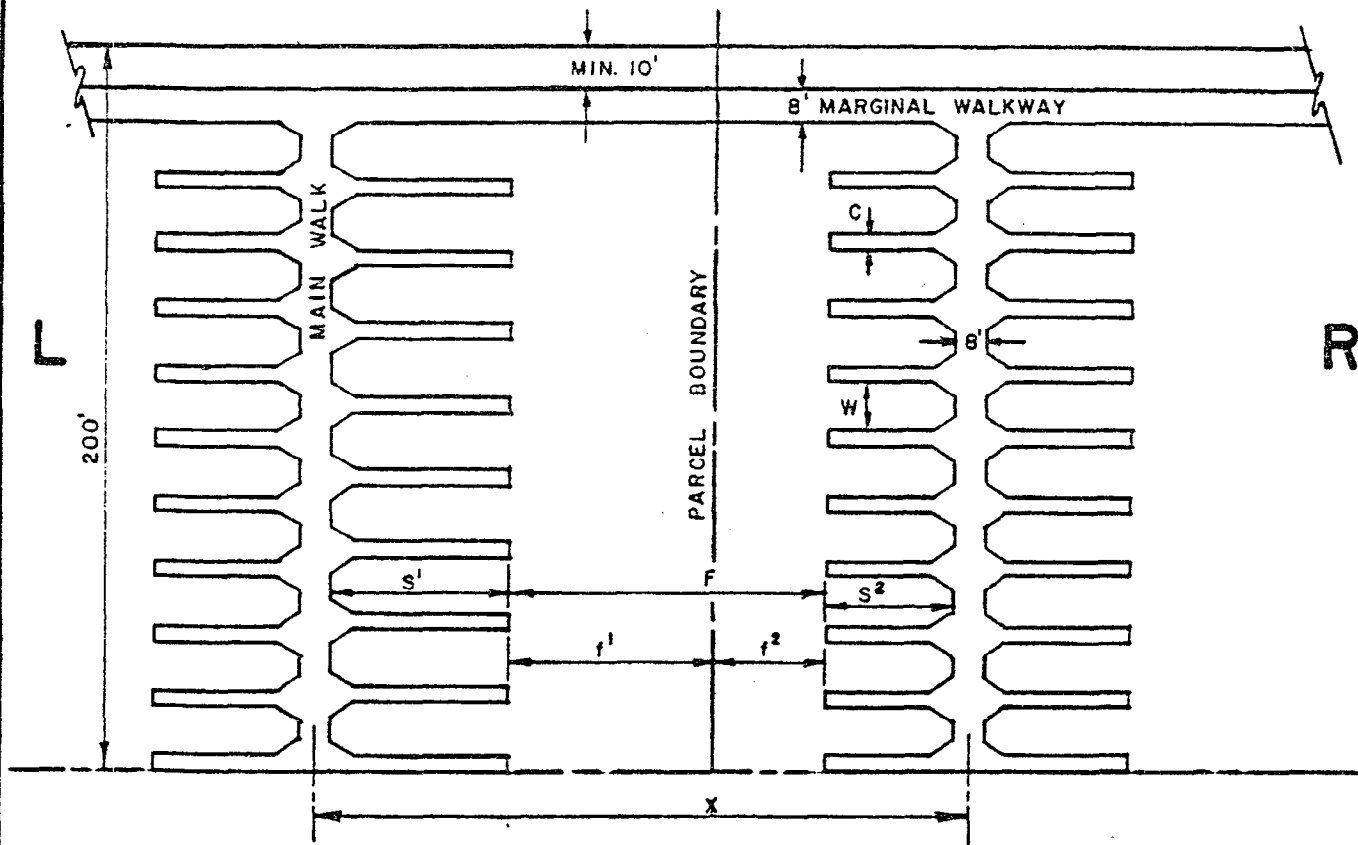
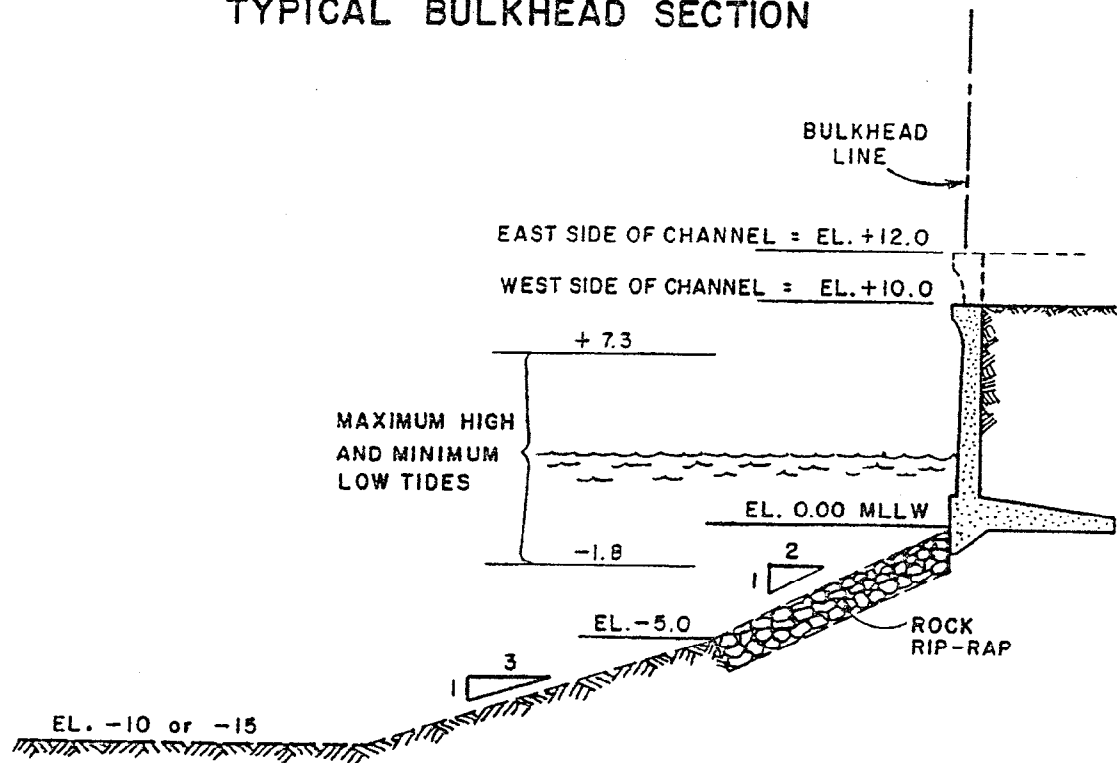


FIGURE C

# MARINA DEL REY

## TYPICAL BULKHEAD SECTION



\* NOTE: PARCELS 55 TO 61 INCLUSIVE AND THE NORTHERLY 308' OF WATER PARCEL OF 62 WILL HAVE ROCK RIP-RAP TO EL. +3.0 DOWN TO EL. -10.0 AT 1:1 $\frac{3}{4}$  SLOPE.

FIGURE D

## G. DESIGN OF STRUCTURES

### 1. Dock Systems:

#### A. Design parameters:

1. General. Dock systems shall be designed by an engineer, licensed by the State of California, who is experienced in the design of marine structures.

Dock systems shall operate as a single unit with the flotation either integral to the deck, or with the flotation mechanically fixed to the deck.

The flotation portion of the dock system shall have positive flotation, using expanded polystyrene cores with a minimum density of .90 pounds per cubic foot. The use of hollow pontoons shall not be allowed.

Dock system flotation pontoons shall have an outer shell of either concrete, or an ultra-violet stable plastic such as fiberglass or cross-linked polyethylene. Alternate materials must be submitted to the Director for review and approval. Exposed foam flotation shall not be allowed. Coated foam billets may be used for repair and safety reasons for a maximum of 90 days and as a permanent inclusion adjacent to the end-tie finger piling only.

All railings and railposts shall be designed to withstand a minimum horizontal force of thirty (30) pounds per lineal foot, applied at the top of the railing. All railings shall be 42 inches high.

2. Loadings. The design of the dock system shall incorporate all anticipated dead load elements and all anticipated live loads.

Dead load of the system shall include the weight of dock system components (walers, bracing, bracketry, etc.) which are permanently incorporated into the dock system, and non-dock system components (transformers, gangways, dinghy racks, trash containers, etc.) which are permanently affixed to the dock system.

Live loads are temporary, transient loads imposed in the ordinary use of the dock system, such as people, carts, equipment, wave loadings from boats, wind loads, etc. The dock system shall be capable of supporting a 20 pound per square foot live load with a freeboard not less than 12". The structure shall be capable of supporting a 400 pound point load anywhere on the deck surface while maintaining the level tolerances cited in section 1.A.3 below.

Design criteria for wind loads shall be as follows:

- a. Design wind pressure criteria shall be in accordance with Section 2311, subsection B, of the Uniform Building Code (UBC), based on exposure factor "C".
- b. For docking purposes, the projected area, including the ship profiles, shall be computed as a uniform exposed height above the waterline equal to 15% of the finger length of the slips.
- c. For a series of slips, the load applied to the total float system shall be based upon the projected area of the largest finger plus 10% of the area for each additional finger.
- d. For a wind direction parallel to the fingers, the same 15% height factor shall be assumed along the full length of the walkway, with due consideration where finger lengths vary.
- e. Loads and forces resulting from tidal action, water movement or mooring lines will not be considered, since they are not subject to building code regulations.

Wave loading criteria shall be as appropriate for the location of the marina.

Impact loads shall be calculated in accordance with the California Department of Boating and Waterways impact loading criteria.

All railings and railposts shall be designed in accordance with the UBC L.A. County Building Department Standards.

No reduction of the assumed live load shall be allowed in any part of the design, except that, in the case of timber structures, the working stress may be increased by 100% for impact only.

Any system or method of construction to be used shall admit to a rational analysis in accordance with well established principles of mechanics.

3. Freeboard. Dock systems shall be designed to have a uniform freeboard between 15" and 20" under dead load conditions. The overall dock system, including fingers, walkways, and special load floats (for gangways, transformers, dinghy racks etc.), shall be designed to float at a uniform level  $\pm 5$ ".

The walking surface of the in-place dock system shall be level within the following tolerances:

finger transverse	-	1/4" per foot
finger longitudinal	-	1" overall
walkway transverse	-	1/8" per foot
walkway longitudinal	-	1" overall

B. Materials. Materials used in dock systems shall have a demonstrated history of use in salt water environments of at least 10 years. Materials used in the dock system are to be new and in good condition. The Lessee shall incorporate the following minimum material standards into the design of dock systems:

1. Wood. All dimensional lumber used in the construction of docks, gangways or other wood appurtenances shall be pressure treated with preservative in accordance with the American Wood Preservative Association's specifications for wood in a salt water splash zone. Dimensional lumber is not required to be painted. However, if the Lessee opts to paint, such paint shall be maintained in good appearance.

Plywood on walking surfaces shall be pressure treated and painted with a non-skid coating. Medium density overlay plywood is recommended.

Wood shall be cut and drilled prior to treatment, with the exception of limited field work. Field cuts and holes shall be swabbed with preservative in a controlled, non-polluting manner, and in accordance with the manufacturer's recommendations and State and Local law.

2. Concrete and Reinforcing Steel. Concrete shall be designed for permeability, strength, chemical stability and abrasion resistance appropriate for its application. Minimum compressive strength for concrete, subject to salt water splash or immersion shall be 4000 psi. All other concrete shall have a minimum compressive strength of 3500 psi. Concrete structures shall be designed to provide sufficient coverage of reinforcing steel so as to prevent corrosion. Supplemental protection of reinforcing, such as epoxy coating or hot-dipped galvanizing, is recommended.

All non-reinforcing ferrous metal embedded in concrete shall be hot-dipped galvanized prior to installation, or stainless steel.

Primary structural concrete fasteners must be removable for corrosion maintenance and replacement.



3. Metals. All steel bolts, bracketry, weldments, rods and fasteners shall be hot-dipped galvanized with a minimum of 3 mils of zinc, or stainless steel.
4. Plastics. All plastics used in the dock system shall be ultra-violet light stabilized or protected. Plastics proposed for use must have a demonstrable performance history in salt water environments of at least ten years. Design strengths and thicknesses shall be appropriate for the intended use.

2. Dock Appurtenances:

- A. Locker Boxes. Individual locker boxes may be provided for slips, and may provide housing for electrical and mechanical services. Locker boxes shall be securely attached to the dock surface. Locations other than on a finger knee require the approval of the County.

Lockers shall be made of 1/8" minimum thick fiberglass or cross-linked polyethylene. Plywood or wood locker boxes shall not be permitted. Flammable materials shall not be kept in locker boxes.

- B. Cleats. Cleats shall be designed to accommodate boats and loads appropriate for their location. A minimum of two cleats on each side of a slip are required. Cleats shall be hot dipped galvanized, and attached to the dock system by means of through-bolts of adequate size to transmit loads between boats and the dock system.
- C. Bumpers. Bumpers shall be installed on dock surfaces that will come into contact with boats. Outer corners of fingers should be protected with corner bumpers or dock wheels. Bumper material shall be vinyl. Water retentive material such as rugs, or salvage materials such as tires, shall not be used.
- D. Boarding Ladders. Boarding steps or ladders shall not be kept on main walks. Boarding steps and ladders may be kept on, or attached to, finger floats, but in no case shall boarding ladders on finger floats occupy more than one-half of the width of the finger float.

Boarding steps or ladders shall not be permanently attached to the outermost 5 feet of any finger float, so that emergency access may be had to the outer edge of the fingers at all times. Boarding steps or ladders shall not be permanently attached to a finger float opposite to each other.

Boarding steps must be light weight and not used for storage, unless the supporting dock section has been designed for the additional dead load.

3. Piling:

- A. Design. Marina guide piles and bearing piles shall be designed by an engineer, licensed by the State of California, who shall have demonstrated expertise in the design of marine structures.

Pile loading calculations shall be based on a soils investigation by a licensed geotechnical engineering firm.

Alternately, soils data gathered by the County for the design and construction of the bulkhead may be used by the engineer in lieu of actual field investigation, provided that the data is within 500 feet of the piles to be driven. The County makes no warranty as to the accuracy or reliability of its soil data. A pile indicator program shall be performed under the direction of either the design engineer of record or the geotechnical engineer, to determine that the actual driving conditions match anticipated conditions.

If design calculations are not submitted to, or are not accepted by, the Building Official, the following lateral stability test shall be included on the construction drawings and shall be performed and submitted to the County for review and approval before the pile driving is 25% complete:

1. One test shall be conducted for each group of 25 piles driven. A minimum of one test shall be performed for construction projects of less than 25 piles.
2. Load shall be applied at +8.5 MLLW.
3. Load shall be applied in 500 lb. increments with zero load between increments.
4. Maximum lateral load shall be 2625 lbs.
5. Maximum lateral load shall be sustained for 6 minutes. The 1500 lb. design load shall be sustained for 24 hours and the deflection recorded after this time.
6. The maximum deflection, or set, of the piles after the short term 1500 lb. load is removed is 0.25 inches. The maximum deflection, or set, of the piles after the 2625 lb. load is removed is 1.00 inch.
7. Pile stability tests must be approved by the Building and Safety Division prior to occupancy of boat berths.

8. The tests shall be observed, and the results thereof reported, by an approved testing laboratory or a registered civil or structural engineer.
9. The Building Department (inspector) shall be notified 24 hours in advance of any proposed test in order that the building inspector may observe the test operation.
10. Complete test reports, prepared by a registered civil engineer, shall be submitted to the Building Department for approval. A duplicate copy thereof shall be filed with the Department of Beaches and Harbors, in Marina Del Rey.

Should the test results indicate that the piling do not meet the design criteria, the Design Engineer shall resubmit a redesign to the Building and Safety Division prior to continuing work.

- B. Pile Material. All piling shall be pre-stressed, pre-cast concrete. The shape may be round, octagonal or square. All piles shall be provided with conical concrete or fiberglass caps.
- C. Installation. Piling shall be installed by a licensed contractor regularly engaged in the business of pile driving. Care shall be taken in the handling and driving of piling to prevent spalling, cracking or other damage. All piling shall be driven. Jetting of piling shall not be permitted. Pile head elevations shall be as follows:
  1. The elevation of head of piles (+/- 3"), within basin areas and all portions of the main channel dredged to a depth of -10 feet, shall be + 13 feet.
  2. The elevation of head of piles (+/- 3"), within basin areas and all portions of the main channel dredged to a depth of -15 feet, shall be + 15 feet.
  3. The elevation of head of piles or dolphins (+/- 3"), in those portions of the main and entrance channel dredged to a depth of -20 feet, shall be + 17 feet.

Piling shall be installed vertically plumb within tolerances defined in the construction documents.

Record of pile driving operations shall be maintained under the supervision of the engineer-of-record, and made available to the County upon request.

Upon completion of the pile driving operation, the engineer shall certify that the piling were installed in accordance with the design. Such certification shall be on the engineer's letterhead and bear the engineer's stamp, and shall be submitted to the County prior to issuance of a certificate of occupancy

4. Electrical Systems:

- A. Design. Electrical systems shall be designed by an electrical engineer, licensed by the State of California, and shall be in accordance with the latest National Electrical Code adopted by the County, and the Los Angeles County Building and Electrical Codes. Electrical service points for boats shall be such that no boater cords or cables cross any portion of main or marginal walkways. Electrical components shall be designed for marina applications, when possible.
- B. Minimum Service. An electric service connection shall be located at every other slip. Electrical receptacles shall be waterproof and approved by the County.
- C. Lighting. Lighting shall be provided on all floating structures. All lighting shall be so designed as to provide sufficient light for safe pedestrian usage, and a minimum reflection on the adjacent water areas. All lighting on landside structures and buildings shall be designed to provide a minimum reflection on the adjacent water areas.
- D. Installation. Electrical cables and conduits shall be fastened securely to the dock system and gangways such that the system is protected from damage by boats. No portion of the electrical system shall be within 6" of the water. Strapping shall be stainless steel. No electrical conduit or cables may be installed on the walking surface of the dock system.

5. Mechanical Systems:

- A. Design. Plumbing systems shall be designed by a mechanical engineer, licensed by the State of California, and shall be in accordance with the latest National Mechanical Code, National Fire Protection Code Section 303, adopted by the County, the Los Angeles County Fire Code, and the Los Angeles County Building and Plumbing Codes.
- B. Minimum Service. One hose bib connection shall be located at every other slip.

All marinas may provide sewage pumpout facilities for the use of their boaters.

All marina water systems will provide for separate potable water and fire systems. Fire system designs and completed installations must be approved by the Los Angeles County Fire Department.

- C. Installation. Piping and hoses shall be fastened securely to the dock system and gangways such that no sagging or drooping occurs. No portion of the plumbing systems shall be within 6" of the water. Strapping shall be stainless steel. No piping or hoses may be installed on the upper surface of the dock system. Installation shall be performed by a California licensed contractor with classification C-16 or C-36.

6. Gangways or Brows:

Gangways shall be provided at the ends of all main walks except where marginal walks are used, in which case one gangway may serve more than one main walk. Gangways shall have a minimum width of 36 inches between the inside of the protective railings. At lowest low tide, the slope of the walk shall not exceed 1 foot vertical to 3 feet horizontal. Where the gangway rests on the main walk, adjacent width shall be added to the main walk to provide a clear space on the main walk of not less than 8 feet on one side or 4 feet on each side of the gangway to the edge of the main walk.

7. Construction:

- A. Contractor. The construction shall be performed by contractors licensed by the State of California in the appropriate classification.
- B. Submittals. Prior to the start of any construction, the Lessee shall submit to the County the following items for review and obtain approval:
1. Complete construction plans and specifications, bearing the Engineer's stamp.
  2. Project execution plan including the following:
    - \* Project schedule.
    - \* Description of phasing.
    - \* Project participants, including designated lessee representatives, engineer and contractor(s).
    - \* Quality control procedures and inspection plan.
    - \* Mobilization plan, including where the contractor intends to mobilize and for how long, and routing of construction traffic on public streets and in the water.
    - \* Tenant boat relocation plan, interim and permanent.

3. A signed general building permit from the Los Angeles County Division of Building and Safety.
  4. A certificate of general liability insurance in the amount of one million dollars (\$1,000,000), indicating the County of Los Angeles and its representatives as additionally insured.
- C. Conduct of the Work. The contractor shall conduct the work in accordance with County, State and Federal law and ordinances. Special care shall be exercised regarding the following:
1. Safety and Protection of Property. Marina del Rey is a heavily developed, high public use area. The Lessee and the Contractor shall exercise special care in protecting public safety and protecting property in and around the project site.
  2. Debris and Pollution Control. The Lessee and the Contractor shall use any and all means at their disposal to prevent construction debris from entering the waterway, or adjacent property. Equipment and procedures shall be used to prevent any diminishing of water and /or air quality.
  3. Noise Control and Hours of Work. The Lessee and the Contractor shall use the equipment to minimize noise. Hours of work shall not extend beyond 7:00 A.M. and 6:00 P.M. on weekdays without the express approval of the County. No work is to be conducted on weekends or holidays without the approval of the Director.
  4. Clean Site. The Lessee and the Contractor shall maintain the staging area and the project area in a clean, organized manner. Construction debris shall be cleaned up on a daily basis.
- D. The County, or its designated representative, shall be allowed access to all places where work is being conducted for inclusion in the project.
- E. Acceptance. Upon completion of the project, the Lessee shall require the engineer-of-record to certify in writing, on the engineer's letterhead bearing the engineer's stamp, that the project is in compliance with the approved plans and specifications. Upon review and approval of the engineer's certification, the County will issue a certificate of occupancy. No boats may use the marina until the certificate of occupancy has been issued. On phased projects, sequential certifications and occupancies may be issued.

#### H. DOLPHINS

Dolphins may be wood piles treated with creosote coal tar solution with a net retention of 16 pounds per cubic foot. Double-dipped hot galvanized rubbing strips, minimum thickness 1/2 inches, minimum width 4 inches, shall be provided for vertical dolphin piles. Elevation of the head of the dolphin shall be not less than + 17 feet. The head of the piles shall be adequately protected with stainless steel rods, so set and sharpened as to discourage birds. The wood piles forming the dolphin shall be of adequate dimensions and penetration, and said dolphin shall be designed by a California licensed engineer who shall submit, with each set of plans and specifications, complete calculations and details as required above in Design of Structures, Piling.

#### I. BEARING PILES

Bearing piles for buildings or structures shall be concrete pre-cast, pre-stressed piles and shall be of adequate dimension and penetration to serve the purpose intended. Piles shall be designed by a licensed engineer and complete sets of calculations and design data shall be submitted with each set of plans and specifications.

#### J. BULKHEAD WALL PROTECTION

The bulkhead walls constructed at Marina del Rey are for the retention of the land, and to provide a sharp delineation between land and water areas. In all planning and designing the following shall be of prime consideration:

1. No structure shall be appended to, or fastened to, any portion of the bulkhead wall. All gangways, conduits, pipelines, and other structures or appurtenances crossing the bulkhead shall bridge the bulkhead, so that no vertical or lateral forces are superimposed directly upon the bulkhead.
2. A barrier with a minimum height of 3-1/2 feet above the top of the bulkhead, consisting of a fence, railing, or some other approved structure, shall be erected along the bulkhead line. Footing for such structure shall be placed immediately to the shore side of the bulkhead. Said fence or railing shall be continuous except where ingress and egress across the bulkhead to water structure is provided.

3. All buildings will be required to set back a distance of 15 feet from the face of the bulkhead to the face of the building. No structure will be permitted in the 15 foot area, except upon permission of the County. The roof, marquee, awning, or overhang of any building may extend to within 10 feet of the bulkhead line. The roof, marquee, awning, or overhead of any building shall have a vertical clearance of 8 feet above the paved surface. Immediately adjacent and parallel to the bulkhead, a strip having a minimum width of 10 feet shall be adequately paved with asphalt concrete or cement concrete. This strip is required for access, service, and emergency vehicles only along the bulkhead line.
4. Mobile cranes, if used for launching or retrieving boats or any other heavy construction equipment, or any supports for monorail or similar equipment, shall not be used on the land side of the bulkhead closer than the 15 foot set back required for all fixed structures without prior approval by the Director. Proposals for fixed cranes, monorail or mobile crane installations, should be discussed with the County prior to submission of bid.
5. The configuration of the mole is such that all land slopes toward the bulkhead and, in the center of each 60-foot panel of bulkhead, there exists a 3-inch outlet with a vertical riser which comes to within 2 feet of the top of the bulkhead. These risers may be used for disposal of surface storm water, including drainage from roofs. The 10 foot paved strip parallel to the bulkheads should be installed so that the edge adjacent to bulkheads is at least 1- 1/2 inches below the top of the bulkhead at its highest point and may be sloped to drain to the center of each panel. Fire access driveways may be constructed with an inverted crown (a depressed center line) to take the flow of water from the parking lots to bulkheads where drains should be installed to connect with drains through the bulkhead.
6. Construction of various types of facilities, for observation, restaurant, bar or recreation on the water side of bulkheads, extending over water areas are subject to the approval of the Design Control Board and must comply with the following:
  - a. Structures may be erected on the water side of the bulkhead, but must be completely independent of bulkheads for any type of support.
  - b. The structures shall be raised above the bulkhead elevation to provide clearance for utilities and service access, but shall not be affixed to the bulkhead.



- c. The 15 foot rights of way parallel with, and immediately in back of, the bulkhead may be bridged by a temporary covered breezeway to provide protective access to the structures on the waterside. However, vertical clearance between the paved surface and underside of said covered breezeway shall be capable of easy removal and shall be removed by the lessee upon demand of the County at any time that it is necessary to maintain or reconstruct the bulkhead or utilities within the 15 foot area parallel with and adjacent to the bulkhead.
- d. All of the above said structures shall be carefully reviewed by the Design Control Board to assure that such structures are not objectionable as to use or design, and to assure that the same shall not conflict with the primary uses of any lease area.
- e. Structures mentioned in paragraph 6, above, will be permitted in the main channel only after review and approval of the United States Army, Corps of Engineers. The prime use of the waterside in the main channel is for navigation of small craft. Prime use of water in the basins is for the berthing of small craft. Reduction of berthing facilities, or interference with navigation, will not be permitted.

## K. WATERSIDE PERMITS

### 1. Planning Permits.

The following must be submitted for the review and approval of the Department of Beaches and Harbors prior to applying for a Building Permit:

- a. An accurate, to-scale, layout showing lease lines, slip lengths, finger widths, adjoining improvements, walkway widths, fairway dimensions and setbacks.
- b. Proposed tenant relocation plan.
- c. Parking analysis.
- d. Financial pro-forma indicating extent of projected revenue changes.

Subsequent to obtaining conceptual approval from the Department of Beaches & Harbors, planning permits must be obtained from the Coastal Commission and Regional Planning Department. Pertinent plans, plan check number, calculations, reports, etc., must be submitted directly to these agencies (see Exhibit 2).

Please note that approval will require thorough plan reviews and will probably not be a "same day/over the counter" process. Some items resulting from the agency plan reviews may affect the building plan check. These should be communicated to the building plan check engineer as soon as possible. All planning approvals must be furnished to the Building and Safety office prior to building permit issuance.

You must obtain these approvals directly from:

- a. Beaches & Harbors Department  
13837 Fiji Way  
Marina Del Rey, CA  
Telephone: (213) 305-9530
- b. Coastal Commission  
245 West Broadway, Suite 380  
Long Beach, CA  
Telephone: (213) 590-5071
- c. Regional Planning Department:
  - \* Land Use/Zoning.
  - \* Legal Lot Determination.
  - \* Parking and Landscaping.
  - \* Compliance with General Plan and Coastal Plan.
  - \* Setbacks.

320 West Temple Street, Room 1360  
Los Angeles, CA  
Telephone: (213) 974-6411

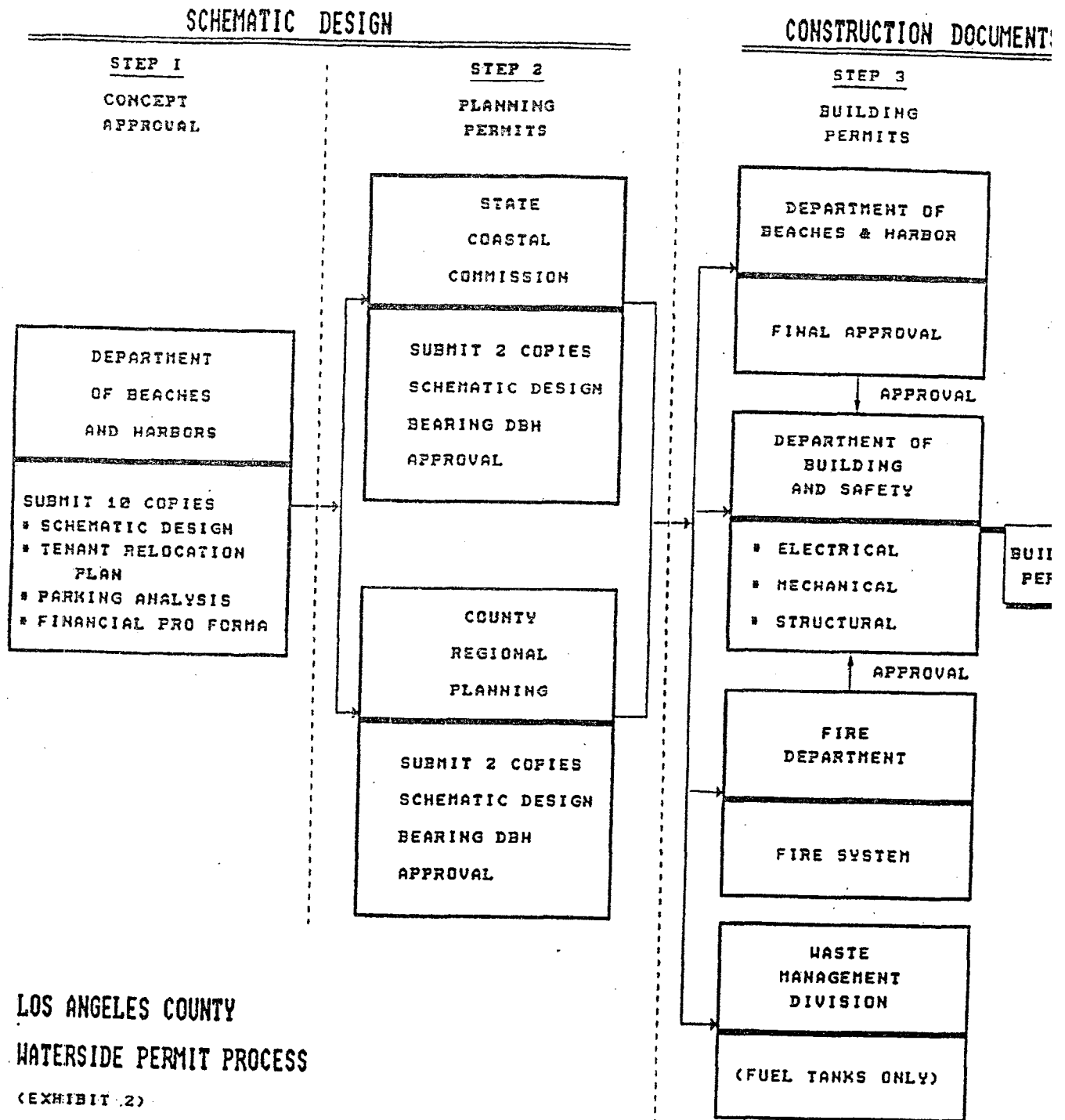
Footnote: Until such time as the Marina del Rey/Ballona Local Implementation Program is certified by the California Coastal Commission (CCC), plans must also be approved by the CCC.

2. Building Permits.

Once planning approvals have been obtained, the applicant must submit construction drawings to the Building & Safety Division, the Fire Department and the Department of Beaches & Harbors. If a fuel facility is involved, application must also be made to the Waste Management Division.

Approvals and/or comments from the Department of Beaches & Harbors and the Fire Department will be forwarded directly to the Building & Safety Division for processing. The final Building Permit will be issued by the Building & Safety Division after its plan check and application approval, plus the approval of the Department of Beaches & Harbors and the Fire Department.

- a. Beaches & Harbors Department  
13837 Fiji Way  
Marina Del Rey, CA  
Telephone: (213) 305-9530  
310
- b. County of Los Angeles, Department of Public Works  
Building and Safety Division  
~~LENNOX DISTRICT OFFICE~~ LOMITA OFFICE  
~~4353 Lennox Boulevard~~ 24320 NARBONNE AVE.  
~~Lennox, CA 90304~~ LOMITA, CA  
Telephone: (213) 419-5651  
310
- c. Fire Department (a stamp and letter is required):
  - Fire Protection Engineering  
Fire Prevention Bureau  
5823 Rickenback Road  
Commerce, CA 90040  
Telephone: (213) 720-5141  
a
  - Lennox - Lawndale  
24320 Narbonne Avenue  
Lomita, CA  
Telephone: (213) 325-5410  
310
  - Fire Prevention Bureau  
101 Centre Plaza Drive, Room G  
Monterey Park, CA 91754  
Telephone: (213) 264-0194
- d. Waste Management Division  
900 South Fremont Avenue  
Alhambra, CA 91803  
Telephone: (818) 458-3561



**LOS ANGELES COUNTY  
WATERSIDE PERMIT PROCESS**

(EXHIBIT 2)

**FOOTNOTE:** Until such time as the Marina del Rey/Ballona Local Implementation Program is certified by the California Coastal Commission (CCC), plans must also be approved by the CCC.