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[HOTEL PARCEL]

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L E A S E

[HOTEL PARCEL]

between the County of Los Angeles, hereinafter called "County," and MDP, LTD., a California corporation, hereinafter called "Lessee," who agree as follows:

ARTICLE 1. BACKGROUND AND GENERAL.

1.01. Property. County is the owner of that certain real property located in the County of Los Angeles, State of California, more particularly described in Exhibit "A," attached hereto and incorporated herein, which is hereinafter called the "Property." The Property contains approximately 30 acres of land in Marina del Rey.

1.02. Original Lease. By lease dated July 30, 1968, and subsequent amendments (collectively the "Original Lease"), County leased the Property to Lessee. The parties hereto are creating a separate parcel out of a portion of the Property leased pursuant to the Original Lease in conjunction with the financing and construction of commercial buildings thereon. The leasehold estate created by the Original Lease has been modified to reflect the creation of

such separate parcel by the execution of (2) Amended and Restated Leases, one of which affects the Property excluding the Premises (the "Improved Parcel") as shown on Exhibit B, and the other of which is this document.

1.03. Premises. This Amended and Restated Lease affects the newly-created parcel, which is more particularly described in Exhibit C attached hereto and incorporated herein, and which is hereinafter called the "Premises."

1.04. Purpose; Integration. The purposes of this Amended and Restated Lease, which is hereinafter called the "Lease," are to create a separate parcel in conjunction with the financing and construction of commercial buildings (a Luxury, First-Class hotel and related buildings) thereon, to provide for the construction and opening on the Premises of a Luxury, First-Class hotel, to regulate the design and improvement of such project, and to consolidate into a single document all of the terms and conditions for the leasing of the Premises from the County to Lessee. This Lease, together with the exhibits attached hereto and incorporated by reference, supersedes the Original Lease and constitutes the entire agreement between the parties regarding the leasing of the Premises, and there are no conditions, representations or agreements regarding the leasing of the Premises which are not expressed herein. This Lease affects only the

Premises and has no effect on the Improved Parcel. The amendments to the Original Lease contained herein are made pursuant to the County's general powers and the specific authorization contained in California Government Code Section 25515 et seq.

1.05. Lease. For and in consideration of the payment of rentals and the performance of all of the covenants and conditions of this Lease, County hereby leases and conveys to Lessee, and Lessee hereby leases and hires from County, the Premises, for the term, and upon the covenants and conditions set forth herein.

1.06. Definitions. Several terms in this Lease are defined terms. For ease of reference, the definition of many of those terms is contained in the context in which the term is used. A listing of those defined terms, along with other definitions not so defined in context, appears in Article 17 of this Lease.

ARTICLE 2. TERM.

2.01. Term. Unless terminated earlier in accordance with the provisions of this Lease, the term of this Lease shall be for a period of approximately eighty (80) years. The exact length of the term shall be determined in accordance with Section 2.02.

2.02. Commencement; Expiration. The term of this Lease shall commence upon the date it is executed by the County. Unless sooner terminated in accordance with the provisions of this Lease, the term of this Lease shall expire at 11:59 p.m. on July 29, 2067.

ARTICLE 3. USE OF PREMISES.

3.01. Specific Primary Use. The Premises shall be used primarily for the construction and operation of a hotel containing between two hundred ninety-three (293) and three hundred eight (308) guest rooms and suites, as well as restaurant and other facilities directly related to the operation of the hotel on the Premises, including the items listed on Exhibit G ("Primary Uses"), and unless such hotel is constructed, the Premises cannot be used for any other purpose. Except as specifically otherwise provided herein, the Premises may be used for no other purpose.

3.01.A. Luxury First-Class Hotel. The initial hotel improvements constructed on the Premises shall be constructed to the standards of a Luxury, First-Class hotel, and the hotel shall be equipped, opened for business and operated continuously for not less than sixty (60) days as a "Luxury, First-Class hotel." As used in this Lease, the term "Luxury, First-Class hotel" shall mean: a hotel which has been constructed in a manner comparable to a four (4)-

or five (5)-star hotel as set forth in the Mobil Hotel Guide, edition most recently published prior to the date Preliminary Plans and Specifications are submitted to County pursuant to Section 4.06; and, which is, on the date hotel operations commence, operated by an operator who, at the time of selection, directly or indirectly operated or operated more such four (4)- or five (5)-star hotels, of at least one hundred fifty (150) rooms, for a cumulative period of two (2) out of the preceding five (5) years, or by an operator with equivalent experience and resources. County agrees that THE RITZ-CARLTON HOTEL COMPANY, a Georgia corporation, present operator of the Ritz-Carlton Hotels in Atlanta, Boston, Laguna Niguel and Naples, presently meets the qualification of this Section.

3.01.B. Related Uses. In addition to the Primary Uses set forth in this Lease, Lessee may also use the Premises for uses related to the Primary Uses. Such Related Uses may be implemented only if requested by Lessee and specifically approved and authorized in writing by the Director. "Related uses" are defined in the Specifications and Minimum Standards of Architectural Treatment and Construction maintained in the records of County, and are subject to specific approval and the imposition of appropriate limitations as to the size and scope thereof.

3.01.C. Other Marina Hotel Uses. County acknowledges and agrees that it shall permit Lessee to make such additional uses of the Premises as County permits in other hotels ground leased by County in Marina del Rey so long as such uses are not inconsistent with a Luxury, First-Class hotel.

3.02. Prohibited Uses. Notwithstanding the foregoing:

3.02.A. Nuisance. Lessee shall not conduct or permit to be conducted any private or public nuisance on the Premises, nor commit or permit any waste thereon.

3.02.B. Specific Prohibited Uses. The following specific uses are specifically prohibited on the Premises:

- (1) Fuel sales, except as may be specifically approved as a related use to serve only tenants and guests of the Premises;
- (2) Boat or vehicle repair other than minor servicing or owner maintenance;
- (3) Live bait sales;
- (4) Sportfishing activities; and
- (5) Shopping center, except as specialty retail shops, as set forth in Exhibit G.

3.03. Active Public Use. The ultimate object of this Lease is the complete and continuous use of the Premises by and for the benefit of the public, without discrimination as

to race or religion, the immediate object being the development and realization of the greatest possible revenue therefrom. It is agreed that said immediate and ultimate objects are consistent and compatible. Accordingly, Lessee covenants and agrees that it will operate the Premises fully and continuously to the end that the public may enjoy maximum benefits and County may obtain maximum revenue therefrom. Lessee and County agree that Lessee may restrict access to the improvements on the Premises so long as pedestrian access along the bulkhead is left unimpaired. As used herein, "left unimpaired" shall mean leaving open the fences on both ends of the Premises during daylight hours.

In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforesaid objects.

3.04. Signs, Awnings, Utility Lines, Aerials and Antennae. County acknowledges that some signs and awnings will be allowed on the Premises. No signs or awnings shall be erected or maintained upon the Premises (other than inside any buildings constructed by Lessee or Sublessee), except those approved in advance by the Design Control Board, which approval shall not unreasonably be withheld. All utility lines shall be underground. Aerials and

antennae shall conform to the minimum standards of construction and architectural treatment mentioned in Section 4.02.

3.05. Hazardous Substances. Except during periods of construction on the Premises, no goods, merchandise, or material shall be kept, stored or sold in or on said Premises which are in any way explosive or hazardous other than normal utility and kitchen equipment (including fuel for emergency generators); and no offensive or dangerous trade, business, or occupation shall be carried on therein or thereon, and nothing shall be done on said Premises, which will cause a suspension or cancellation of the insurance upon the Premises or other premises and the improvements thereon; provided, however, nothing contained herein shall preclude a policy of self-insurance in accordance with Section 11.06.

No machinery or apparatus shall be used or operated on said Premises which will in any way injure said Premises or improvements thereon, or adjacent or other premises, or improvements thereon; provided, however, that nothing in this Section 3.05 shall preclude Lessee from bringing, keeping, or using on or about the Premises such materials, supplies, equipment, and machinery as are appropriate or customary in carrying on its said business, or from carrying on its business in all usual respects.

Open flame welding or burning, gasoline, or other fuel storage is expressly prohibited without prior written consent of Director, except as provided above.

3.06. Rules and Regulations. Lessee shall abide by all applicable rules, regulations, resolutions, ordinances, statutes of the County of Los Angeles, the State of California or other governmental body, where applicable, respecting the use, operation, maintenance, or repair or improvement of the Premises and equipment, and shall pay for any and all licenses and permits, if any, required in connection with the use, operation, maintenance, repair, or improvement of the Premises.

3.07. Reservations. Lessee expressly agrees that this Lease and all rights hereunder shall be subject only to all prior exceptions, reservations, leases, licenses, easements, and rights-of-way of record existing as of the date of execution of the Original Lease in, to, over, or affecting the Premises for any purpose whatsoever, and to those placed on it by Lessee or Lessee's predecessors in the Original Lease, or by County with the consent of Lessee or Lessee's predecessors in interest under the Original Lease.

Lessee expressly agrees that this Lease and all rights hereunder shall be subject to conditions, covenants, restrictions, rights-of-way, and easements as shown on Los

Angeles County Assessor's Map No. 88, recorded in Book 1, pages 53 to 70 inclusive of Assessor's Maps, in the office of the Recorder of the County of Los Angeles, including but not limited to the right of the County of Los Angeles to install, construct, maintain, service, and operate sanitary sewers, fire access roads, storm drains, drainage facilities, electric power lines, telephone lines and access and harbor utility easements, together with the right of the County to convey such easements and transfer such rights to others. Notwithstanding the foregoing, County shall have no reserved easement right in and to the "private street" shown on such Assessor's Map and shall have the additional easement rights set forth in Exhibit A as they affect the Premises.

3.08. Boat Slips. The parties contemplate that as a part of Lessee's negotiations with a Luxury, First-Class Hotel Operator, and the negotiation of a sublease or other agreement with such operator or the Initial Hotel Owner, such operator or owner will receive the right to use certain boat slips actually located upon the Improved Parcel. The facilities containing any such boat slips shall comply with County's existing requirements for adjacent restroom, parking and other landside facilities. The rights so negotiated with the Luxury, First-Class Hotel Operator or the Initial

Hotel Owner shall become an appurtenance to the Premises, such that in the event of a termination of this Lease, Lessee shall, provided County has complied with the terms and provisions of this Lease, make available to County and to any hotel developer obtained by County, the same number of boat slips that Lessee had made available to Lessee's Luxury, First-Class Hotel Operator or the Initial Hotel Owner. The boat slips shall be made available upon the same terms and conditions as Lessee had agreed upon with the Luxury, First-Class Hotel Operator or the Initial Hotel Owner, except that the rent for such slips may be raised to the boat slip rental rate then prevailing in Marina Del Rey.

ARTICLE 4. CONSTRUCTION OF IMPROVEMENTS.

4.01. Luxury, First-Class Hotel Constitutes Required Construction. It is expressly understood and agreed that the Premises shall and must be improved and put into public use within the time provided for in this Lease by the construction of a Luxury, First-Class hotel, containing no more than three hundred eight (308) and no less than two hundred ninety-three (293) guest rooms and suites, substantially complying with the plans and specifications approved by County, and Lessee shall so construct or cause to be constructed such a hotel.

4.01.A. Landscaping. The Luxury, First-Class hotel improvements shall also include appropriate landscaping upon the Premises. A general layout of proposed landscaping shall be submitted as part of the plans and specifications for all proposed improvements of the site. This will include the landscaping of all areas between any street and setback lines and such other areas as are necessary to create a pleasing development of the project as a whole. All landscaping plans and layout must have the approval of Director and the Design Control Board.

4.01.B. Street Improvements. As part of its hotel construction, and to the extent not already done, Lessee shall improve the entire street frontage of the Premises to include a sidewalk constructed to standards of the Los Angeles County Public Works Department immediately adjacent to the existing or future street curb and the installation of landscaping from the edge of such sidewalk for a distance extending into the Premises not less than five (5) feet from the property line thereof. Such sidewalk shall constitute a public walkway and shall be open to the unrestricted use of the public at all times.

4.01.C. Minimum Cost of Construction. The total cost of the Luxury, First-Class hotel improvements, including but not limited to design and construction and construc-

tion financing costs, furniture, fixtures and equipment shall be not less than FORTY MILLION DOLLARS (\$40,000,000).

4.01.D. Schedules. The failure of Lessee to take any actions within the applicable timeframes contained in Sections 4.02, 4.03, 4.04 and 4.05 shall not affect its rights under the Lease or constitute a breach of its obligations under the Lease and are inserted for planning purposes only.

4.02. Plan Submittal Schedule; County Approval. Lessee agrees to file, and plans to do so in accordance with the schedules set forth in Sections 4.03, 4.04 and 4.05 below, plans, specifications, construction schedules, and construction cost estimates with the Director and Design Control Board for their review and approval. If any submittal required herein fails to achieve approval upon the initial submittal, then the Director and/or Design Control Board shall specify the reasons for such failure in writing. Lessee will have the right to resubmit the matter. Any plans and specifications shall conform to the standards generally accepted in the architectural and engineering professions for such documents and shall conform to applicable provisions of the Specifications and Minimum Standards of Architectural Treatment and Construction for the Marina del

Ray as adopted by the Board of Supervisors on January 31, 1961, and subsequently amended.

4.03. Schematics and Narrative. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, conformation, and arrangement of all improvements proposed to be constructed on the Premises and plans to do so not later than three (3) years after commencement of the term of this Lease. Such plans shall also clearly delineate the architectural theme or motif of the construction and shall show and identify the boundaries of the Premises and all rights-of-way or other areas reserved to County which are located therein.

4.04. Preliminary Plans and Specifications. Lessee shall submit six (6) sets of preliminary plans, outline specifications and construction cost estimates for the improvements set forth in the approved schematic plans and plans to do so within one hundred twenty (120) days after final approval of the schematic plans and other items referred to in Section 4.03. The preliminary plans, outline specifications and construction cost estimate summary shall conform to and expand on the description of the proposed improvements as delineated in the approved schematic plans.

Any significant difference in the scope, size, conformation, arrangement, or motif of the development from that depicted on the approved schematic plans shall be described and justified to the satisfaction of the Director and Design Control Board which have the right to reject said preliminary plans on the grounds, among others, that they differ from the approved schematic plans.

4.05. Final Plans and Specifications. Lessee shall file six (6) sets of complete final plans, detailed specifications and construction cost estimates for all improvements to be constructed together with one (1) set of appropriate structural computations, identical to those required by the Public Works Director incident to issuance of building permits under provisions of the Los Angeles County Uniform Building Code and plans to do so within one hundred eighty (180) days after final approval of said preliminary plans, outline specifications and construction cost estimates by the Director and the Design Control Board. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost estimates required by this paragraph with the Public Works Director, together with the necessary applications for building permits.

4.06. Conditions Precedent to Commencement of Construction. No construction shall begin until each and every

one of the following conditions precedent has been either satisfied or waived by County:

4.06.A. Approval of Final Plans and Specifications. Final plans and specifications have been approved by the Director and the Design Control Board, which approvals shall not unreasonably be withheld, provided that the final plans and specifications are in substantial conformity with the approved preliminary plans and specifications (the "Approved Final Plans and Specifications"). Following such approval of the final plans and specifications, no modification shall be made to the work described or any final plans and specifications without approval thereof by the Director and the Design Control Board except that the approval of neither the Director nor the Design Control Board will be required where the modification is not structural in nature, does not affect the exterior of the Premises and is not otherwise visible from the exterior of the Premises. Such approvals shall not be unreasonably withheld. Lessee shall notify Director in writing of any changes for which approval was not required no less frequently than monthly.

4.06.B. Permits and Other Approvals. Lessee shall have received and furnished County with copies of all permits and other governmental approvals necessary for such construction.

4.06.C. Copy of Construction Contracts. If Lessee intends to employ a general contractor or contractors for the construction of improvements, Lessee shall have furnished County with a complete copy of any contract(s) entered into for the construction of such improvements.

4.06.D. Performance and Surety Bonds. Lessee shall at its own cost and expense have furnished County with the following separate corporate surety bonds not less than ten (10) days prior to the commencement of construction, which bonds must be in all respects satisfactory to the County:

(1) A corporate surety performance bond ("Performance Bond"), issued by a surety company licensed to transact business in the State of California, in an amount equal to fifty percent (50%) of the aggregate construction contract price of the construction required of Lessee pursuant to Section 4.01 (the "Aggregate Construction Cost"), said bond and said company to be in all respects, including amount thereof, satisfactory to County, naming Lessee as principal and said company as surety, and County and any Approved Encumbrance Holder as obligees, to assure full and satisfactory performance by Lessee of Lessee's obligation contained in Section 4.01 to build, construct, and install improvements and landscaping upon the Premises.

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Further, Lessee shall have the option to deposit with the County, cash or United States government securities in all respects satisfactory to the County, in lieu of any corporate surety bonds required herein. Said cash or securities shall be deemed deposited with the County for all the purposes enumerated herein and shall be so deposited for the benefit of the County and any Approved Encumbrance Holder under the same terms and conditions as set forth herein with respect to corporate surety bonds; provided, however, that any interest earned with respect to such cash or securities shall likewise serve as security.

The Director shall have the authority, in his sole discretion, to modify, waive or reduce the amount of any bonds required hereunder.

4.06.E. Evidence of Financing. Not less than thirty (30) days prior to the commencement of construction, Lessee or any Sublessee shall furnish the Director with a written statement identifying the source(s) of all financing for any construction. The statement shall set forth the names, addresses and telephone numbers of the parties supplying financing, as well as the amount, financial terms of such financing, and any other data as may reasonably be

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(2) A corporate surety bond, issued by a surety company licensed to transact business in the State of California, with Lessee as principal, said company as surety, and County and any Approved Encumbrance Holder as obligees, in a sum equal to fifty percent (50%) of the aforesaid Aggregate Construction Cost, guaranteeing payment for all materials, provisions, provender, supplies, and equipment, used in, upon, for or about the performance of said construction work or for labor done thereon of any kind whatsoever and protecting County from any and all liability, loss or damages arising from failure to make such payment (the "Payment Bond").

In the event that construction is done by a Sublessee or a licensed contractor and either the Sublessee or the contractor or contractors furnish a similar bond or bonds in like amount, in all respects satisfactory to County. County, upon application by Lessee and upon the naming of County and any Approved Encumbrance Holder as additional obligees under such bond or bonds, will accept the Sublessee's or contractor's bonds in lieu of the bonds otherwise required under this subsection 4.06.D. In the event Lessee does not employ a licensed general contractor, the Aggregate Construction Cost shall be deemed to be the final cost estimate approved by County.

required by the Director. Lessee or Sublessee shall furnish the Director with copies of all final notes, guarantees, partnership agreements, construction loan and/or permanent loan agreements, documents creating and/or perfecting security interests, and all documents and Exhibits referred to in any of the foregoing, and all recorded financing documents affecting an interest in the Premises within seven (7) days after such documents becoming effective.

4.07. Lessor's Cooperation; Effect of County Lease Approval. As landlord under this Lease, County shall cooperate with and assist Lessee in every reasonable way in Lessee's efforts to obtain all governmental consents, approvals, permits or variances which may be required for the performance of any construction permitted under the terms of this Lease, including County's joinder in any application for any such consent, approval, permit or variance where joinder therein by the owner of the Premises is required by law, provided that any such joinder shall be at no cost to County. Lessee and County acknowledge, however, that the approvals given by County under this Lease are approvals pursuant to its authority under Article 7.5, Section 25515, et seq., 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 County'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 Landlord functions.

4.08. Construction Schedule.

4.08.A. Substantial Commencement of Construction.

It is a condition of this Lease that Lessee cause the Substantial Commencement of Construction of a Luxury, First-Class hotel to have occurred in accordance with Approved Final Plans and Specifications no later than five (5) years following the commencement date of the term of this Lease (the "Five (5)-Year Period").

(1) This condition shall not have been satisfied until such time as all of the following have occurred: all required demolition, a substantial portion of the excavation has been completed, and seventy-five percent (75%) of all foundations for all buildings containing guest rooms and suites have been installed in substantial conformity with the Approved Final Plans and Specifications. The stage of construction described in the preceding sentence is hereinafter called "Substantial Commencement of Construc-

tion," and it is also what is meant by construction having been "substantially commenced."

(2) The Five (5)-Year Period will be extended only under the specific circumstances set forth in Section 4.09, and under no other circumstances. Without limiting the foregoing, the parties specifically recognize that it is possible for Lessee to comply with the time limits in Sections 4.03, 4.04 and 4.05 and yet still not satisfy the condition in this subsection 4.08.A, thereby suffering a termination of this Lease.

4.08.B. After Substantial Commencement. Once construction of the Luxury, First-Class hotel has been substantially commenced, and thereafter, Lessee shall use reasonable due diligence to prosecute and complete such construction in substantial compliance with the Approved Final Plans and Specifications. During this period, delays in construction due to fire, earthquake, war, labor dispute, or other event reasonably beyond control of Lessee shall extend the time in which said construction must be completed by the length of time of such delay. The Lessee and Director shall discuss and attempt to agree on the length of time of such delay. If they are unable to so agree within thirty (30) days of the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this Section

4.08.B, the matter shall be arbitrated as set forth in Section 16.16.

4.09. Limited Extension of Five (5)-Year Period.

County and Lessee have agreed upon the Five (5)-Year Period for reaching Substantial Commencement of Construction. Consequently, the Five (5)-Year Period shall be extended only for the reasons stated in this Section 4.09, and any extension shall be only for the time period specified in this Section 4.09. In the event Lessee has still not met the condition in subsection 4.08.A at the end of any extension granted pursuant to this Section, this Lease shall nonetheless terminate.

4.09.A. Injunction by Third Party, Nonregulatory Body. Except as provided in subsection 4.09.D, the Five (5)-Year Period shall be extended if the commencement of construction of a Luxury, First-Class hotel has been enjoined by a court action commenced by a plaintiff other than a regulatory body or agency having jurisdiction over construction on or the use of the Premises. In case of an injunction other than an injunction prohibiting the construction of any hotel, the Five (5)-Year Period shall be extended by an amount of time equal to the time between the date the injunction was first issued until the earlier of the date the preliminary injunction was removed or the date

the permanent injunction becomes final and is no longer subject to further appeals. Lessee shall diligently pursue removal of any injunction so issued. If a permanent injunction becomes final and is no longer subject to further appeals, which injunction prohibits the construction of any hotel on the Premises, then the Lease shall terminate without further liability, except for liability previously accrued but theretofore unsatisfied.

4.09.B. Delay Caused by Unreasonable County Acts.

Except as provided in subsection 4.09.D, the Five (5)-Year Period shall be extended if Lessee has been delayed in the pursuit of any permits or other approvals necessary for the commencement of construction due to Unreasonable County Activity. Unreasonable County Activity shall mean the following: County acted unreasonably in failing to support Lessee's proposals for the Luxury, First-Class hotel before any governmental agency; County unreasonably failed to issue a permit or other approval within County's jurisdiction and required of County in order for Lessee to proceed with the permit/approval process; or, County unreasonably failed to take such other actions requested by Lessee which are necessary for Lessee to proceed with the permit/approval process or took such actions without Lessee's consent which affect Lessee's rights and obligations, were unreasonable and

delayed the Substantial Commencement of Construction. Nothing contained in this Section or this Lease shall be construed as obligating County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's regulatory obligations. It shall not be Unreasonable County Activity if County fails to "fast-track" or otherwise accelerate the County's customary regulatory permit/approval process. An extension shall be available under this subsection 4.09.B only if all of the following procedures have been followed:

(1) Within a reasonable period of time under the circumstances, but in no event to exceed two (2) months following 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 conduct.

(2) Within fifteen (15) days following receipt of the notice alleging Unreasonable County Activity, the Director shall meet with the authorized representative of Lessee in order to resolve the questions of whether the Unreasonable County Activity specified in such notice 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 4.09.B. If the Director determines that County can and will take rectifying action, then the extension shall equal the amount of delay actually caused by the Unreasonable County Activity. If the Director determines that County cannot take rectifying action or if any rectifying action taken does 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.

(3) If, within thirty (30) days following receipt of notice alleging Unreasonable County Activity, the Director and the 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 Section 16.16 of this Lease. The arbitrator or arbitrators shall be instructed that if an Unreasonable County Activity is found, then the standards set forth in subsection 4.09.B(2) for determining the length of any extension shall be used.

The period of any extension pursuant to this subsection 4.09.B shall be equal to the period of the delay caused by the Unreasonable County Activity.

4.09.C. Delay in Obtaining Certain Permits or Approvals. Except as otherwise provided in subsection 4.09.D, if, for any reason whatsoever, at the end of the Five (5)-Year Period, Lessee has not obtained a permit or other approval necessary to the commencement of construction from a regulatory body or agency other than County, or such regulatory body or agency has obtained an injunction preventing the commencement of construction, and such permits, approvals or injunctions constitute the major remaining impediment to Lessee being able to proceed with construction of the hotel and any remaining preconstruction development, then the Five (5)-Year Period will be extended to the date which is seven (7) years after the date of execution of this Lease. The single fixed-term extension provided by this subsection 4.09.C shall be the only extension available in a situation where such permits and/or approvals have not been issued or such regulatory body or agency has obtained such an injunction.

4.09.D. Limitation of Extensions. Notwithstanding the foregoing, Lessee shall not be entitled to any extension, unless Lessee and/or the actual Luxury, First-Class Hotel Operator had actually been pursuing the process of obtaining all permits, approvals, financing and other items necessary for the Substantial Commencement of

Construction with reasonable due diligence, and unless the improvement and other plans and specifications submitted by Lessee substantially conform to land use laws and regulations and the local coastal plan existing as of the commencement of the term of this Lease.

4.10. Failure to Reach Substantial Commencement of Construction Constitutes Total Failure of Consideration to County. Lessee agrees that the primary purpose for County having entered into this Lease is to provide completed improvements so that the Premises may be used by the public at the earliest possible date. Therefore, it is understood and agreed that the time periods and requirements for extension contained in Sections 4.08.A and 4.09 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 Sections 4.08.A and 4.09, County shall have the right to reenter the Premises and this Lease shall terminate.

If this Lease is terminated under the provisions of this Section 4.10, Lessee shall as soon as reasonably practicable remove any property that Lessee may have placed on the Premises, except to the extent County notifies Lessee in writing that County has elected to retain the improvements as provided in Section 7.02. If Lessee fails to

remove any such property within thirty (30) days after such termination, or such longer time as is reasonable under the circumstances, not to exceed sixty (60) days, at County's option, title thereto shall automatically vest in County. In addition, Lessee shall pay any and all rents due up until the time of any termination under the provisions of this Section 4.10.

4.11. Manner of Construction.

4.11.A. General Construction Standards. All construction, alteration or repair work permitted herein shall be accomplished with reasonable due diligence. Lessee shall take all reasonably necessary measures to minimize any damage, disruption or inconvenience caused by such work and make adequate provision for the safety and convenience of all persons affected thereby. Lessee shall repair, at its own cost and expense, any and all damage caused by such work, and shall restore the area upon which such work is performed to a condition which is at least equal to or better than the condition which existed prior to the beginning of such work. In addition, Lessee shall pay (or cause to be paid) all costs and expenses associated therewith and shall indemnify and hold County harmless from all damages, losses or claims attributable to the performance of such work. Dust, noise and other effects of such work shall be con-

trolled using reasonably accepted methods customarily utilized in order to control such deleterious effects associated with construction projects in a populated or developed area.

4.11.B. Utility Work. Any work performed by or on behalf of Lessee or any occupant or Sublessee to connect to, repair, relocate, maintain or install any storm drain, sanitary sewer, water line, gas line, telephone conduit or any other public utility service shall be performed so as to minimize interference with the provision of such services to occupants and other persons.

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

4.11.D. Compliance with Construction Documents and Laws; Issuance of Permits. All improvements on the Premises shall be constructed 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 applica-

tion for such permits directly to the person or governmental agency having jurisdiction.

4.11.E. 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 provide timely inspection to assure proper safeguarding of such County-owned improvements occurring on or near the Premises as seawalls, underground conduits, utility lines, and the like. In the event that any County-owned improvements may be damaged as a result of said construction, Lessee agrees to repair such damage immediately at no cost to County, or, in the event Lessee does not so repair said damage immediately and to County's satisfaction, County may enter upon the Premises to make such repairs, the cost of which shall be paid by Lessee immediately upon demand.

4.11.F. Rights of Access. Provided they shall first present themselves to Lessee's on-the-job supervisor and furnish reasonable evidence of their identity, representatives of County shall have the right of reasonable access to the Premises and the improvements thereon without charges or fees, and at normal construction hours during the period of construction, for the purpose of ascertaining compliance with the terms of this Lease, including, but not limited to, the inspection of the construction work being performed.

The Director shall from time to time provide the Lessee with the names of those authorized to perform such inspections. County's access shall be reasonably calculated to minimize interference with Lessee's construction and/or operations. In the event of any emergencies, County will have the right to enter the Premises immediately and without notice.

4.11.G. Notice of Completion. Upon completion of construction, Lessee shall file or cause to be filed in the Official Records of the County of Los Angeles a Notice of Completion (the "Notice of Completion") with respect to the improvements, and Lessee shall deliver to County, at no cost to County, two (2) sets of conoflex or mylar final as-built plans and specifications of the improvements.

4.12. Use of Plans. The contracts with any architect, other design professional or any general contractor shall provide, in form and substance 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 any such contract, together with the further agreement of the parties thereto, that if this Lease is terminated due to Lessee's default, County may, at its election, use any plans and specifications to which Lessee is then entitled pursuant to any such contract upon the payment of any sums due to any party thereto. The County's right to

elect to use plans and specifications as described above shall be subordinate to and shall not defeat the rights of any construction lender for improvements constructed on the Premises, and shall not include the right to use any trade marks, trade names or logos of the Lessee, the Major Sublessee or the hotel operator obtained by either of them. County shall execute such agreements as a lender may reasonably request to confirm such subordination.

4.13. Additional Construction. Lessee may, at its own expense, make or construct, or cause to be made or constructed, improvements in addition to those required by Section 4.01 as well as additions, alterations or changes in the Premises provided such proposed improvements, additions, alterations or changes are within the scope of permissible uses set forth in Article 3, and further provided that each specific proposed improvement, addition, alteration or change must first have the written approval of Director. Director may reasonably refuse permission for the construction of any proposed additional improvement, addition, alteration or change, and such decision if reasonable will be final.

If Director approves said proposed construction, Lessee shall submit plans and specifications to Director and the Design Control Board and may commence construction upon

receipt of written approval thereof from Director and Design Control Board, which shall not be unreasonably withheld, and upon compliance with such terms and conditions relating to the construction as Director may reasonably impose.

Notwithstanding the foregoing, Lessee shall not be required to obtain the prior written approval of either the Director or the Design Control Board where all of the following are met: the total cost of a project which involves additions, alterations or changes the cost of which does not exceed TWENTY-FIVE THOUSAND DOLLARS (\$25,000); none of the additions, alterations or changes involved in the project are structural in nature; and none of the proposed additions, alterations or changes involved in the project are visible from the exterior of the Premises.

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

of mechanics' liens or other claims against the fee of the Premises.

4.14.A. Posting Notices. County shall have the right to at all reasonable times to post, and keep posted, on the Premises any notices which County may deem necessary for the protection of County and of the Premises and the improvements thereon from mechanics' liens or other claims. Lessee shall give County ten (10) days prior written notice of the commencement of any work to be done on the Premises to enable County to post such notices.

4.14.B. Prompt Payment. In addition, Lessee shall make, or cause to be made, prompt payment of all monies due and legally 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.

4.14.C. Liens; Indemnity. Subject to Lessee's rights to contest the same prior to payment, Lessee shall keep the Premises and any improvements free and clear of all mechanics' liens and other liens on account of work done for Lessee or persons claiming under it. Lessee agrees to and shall indemnify and save County harmless against liability, loss, damages, costs, attorneys' fees incurred in defending and all other expenses on account of claims of lien of

laborers or materialmen or others for work performed or materials or supplies furnished to Lessee or persons claiming under it.

In the event any lien is recorded, Lessee shall, upon demand, furnish the bond described in California Civil Code Section 3143, or successor statute, which results in the removal of such lien from the Premises, or other evidence satisfactory to County that such lien will be paid, removed or discharged as a claim against the Premises.

ARTICLE 5. RENT AND OTHER PAYMENTS.

5.01. General. Lessee shall pay County annual rent in an amount equal to the sum of the amounts provided for in this Article 5. Payment shall be made at the times hereinafter set forth.

5.02. Initial Minimum Annual Rent. The initial "Minimum Annual Rent" for the Premises shall be the sum of ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000). The Minimum Annual Rent shall be subject to adjustment as provided in Section 5.04, and subject to renegotiation as provided in Section 5.08.

5.03. Payment of Minimum Annual Rent. Minimum Annual Rent shall be paid in twelve (12) equal monthly installments, in advance, on the first day of the month for which the installment is made (the "Minimum Monthly Rent"). Mini-

Minimum Monthly Rent for the first month or portion of it shall be paid on the first day of the term. Minimum Monthly Rent for any partial month shall be prorated at the rate of one-thirtieth (1/30) of the Minimum Monthly Rent per day.

5.04. Adjustment to Minimum Annual Rent. The Minimum Annual Rent shall first be adjusted on the fifth (5th) anniversary of the date hotel operations commence on the Premises. The Minimum Annual Rent shall again be adjusted on the tenth (10th) anniversary of the date hotel operations commence on the Premises and then each ten (10) years thereafter. In each case, the Minimum Annual Rent shall be adjusted to the amount which equals seventy-five percent (75%) of the average of the rent due from Lessee to County under Sections 5.04 and 5.05 for the Lease Years following the preceding adjustment. For purposes of calculating the new minimum rent, any amounts deferred pursuant to Section 5.07 shall be deemed to have been due in the year such amounts were first deferred rather than the year in which the deferral was actually paid. Hotel operations will be deemed to have commenced upon the sooner of the first day of the month following the month in which a room was first rented, or one hundred twenty (120) days following the issuance of a permanent certificate of occupancy for the Premises ("Commencement of Hotel Operations").

5.05. Percentage Rents; Payments. Lessee shall also pay "Percentage Rents" based upon the Gross Receipts from the Premises to the extent that such Percentage Rents exceed the Minimum Annual Rent.

5.05.A. Reporting; Payment. Gross Receipts from each transaction, sale or activity of Lessee and/or Sublessee, shall be reported under one or more of the percentage categories contained in this subsection 5.05.A, as applicable. 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 Monthly Rent paid for said previous month as provided for in Section 5.03:

(a) (1) Twenty percent (20%) of Gross Receipts from the rental or other fees charged for the use of boat slips, anchorages, moorings, dockside gear lockers, dockside storage space, and such other facilities and services ancillary thereto as are provided in common to all tenants, provided, however, that where Lessee operates an anchorage, mooring, or boat slips and ancillary facilities in conjunction with a yacht club, all Gross Receipts from said operation shall cover all costs for above facilities including

but not limited to, investment, operating and administration costs and overhead.

(b) (2) Ten percent (10%) 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) (3) Seven and one-half percent (7-1/2%) of Gross Receipts or other fees charged for the occupancy of the hotel on the Premises as well as other structures and other facilities including but not limited to (a) apartments, (b) motel accommodations, (c) house trailers, (d) meeting rooms, (e) rental of land and/or water or facilities for activities not otherwise provided for in this Section such as but not limited to television and/or motion pictures, (f) parking fees or charges except where such parking fees or charges are collected in conjunction with an activity, the Gross Receipts from which are required to be reported in a percentage category greater than seven and one-half percent (7-1/2%), (g) offices utilized for banking, financial or investment activities, internal clerical or administrative activities of business enterprises, real estate and insurance brokerage, legal, medical, engineering,

travel agencies, or similar professional services but not to include, however, stores, shops or other commercial establishments, the Gross Receipts pertaining to which are subject to percentage rentals and specifically required to be reported under other subsections of this Section, and (h) liveaboard charges over and above slip rental fees imposed by anchorages for the privilege of a boat owner living on his boat;

(d) (4) 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) (5) 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, telephone service charges, laundry and dry cleaning commissions and other similar activities where earnings are

normally on a commission basis when said activity is approved in advance by Director;

(f) (6) Five percent (5%) of Gross Receipts received by Lessee or Sublessee or twenty percent (20%) of any commissions or fees collected by Lessee from service enterprises;

(g) (7) Six percent (6%) of Gross Receipts received by Lessee or Sublessee or twenty percent (20%) of any commissions or fees collected from commercial boating activities including, but not limited to, charter boat, bareboat charters and sport-fishing boats;

(h) (8) Five percent (5%) of Gross Receipts received by Lessee or Sublessee or twenty-five percent (25%) of any commissions or other fees collected for the installation and/or operation of coin-operated vending or service machines including pay telephones;

(i) (9) Ten percent (10%) of Gross Receipts from the operation of a bar, tavern, cocktail lounge, discotheque, club or other facilities engaged primarily in the on-premises sale of alcoholic beverages except as provided for in Subsection (10);

(j) (10) Three percent (3%) 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 (19);

(k) (11) One and one-half cents (\$0.015) per gallon of gasoline, diesel fuel or mixed fuel sold or six percent (6%) of Gross Receipts of such sales, whichever is greater;

(l) (12) Five percent (5%) of Gross Receipts from sales by a fuel sales facility of petroleum or fuel products other than those covered by Subsection (11) above;

(m) (13) Fifteen percent (15%) of Gross Receipts from club dues, initiation fees, and assessments, except that separate assessments for capital improvements are 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) (14) Five percent (5%) of Gross Receipts or other fees charged from the operation of sightseeing boats, tour boats or water taxis;

(o) (15) Two percent (2%) of Gross Receipts from the operation of a cable television facility under a franchise granted by the County of Los Angeles;

(p) (16) 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, except that where parts and materials are separately invoiced, they may be reported under Subsection (19) of this Section;

(q) (17) 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 (19);

(r) (18) Twenty percent (20%) of Gross Receipts from parking fees except as provided for in Subsection (3);

(s) (19) One percent (1%) of Gross Receipts from the sale of miscellaneous goods and services not specifically provided for elsewhere in this Section; and

(20) Ten percent (10%) of Gross Receipts from yacht club dues, initiation fees and assessments of yacht clubs providing a public service program, except that separate assessments for leasehold improvements are exempt provided that to qualify for such an exemption Lessee must comply with the "Criteria for Eligibility for Exemption of Building Fund Assessments from Gross Receipts" issued by the Director on May 6, 1974. A yacht club providing a public

service program is one that establishes its eligibility by providing the public service program described in the yacht club rental amendment approved by the Board of Supervisors on June 5, 1973, synopsis 58, and by reporting to the Director in accordance with the procedure on verification described in Policy Statement No. 22 dated January 7, 1974, for determining the eligibility to qualify.

The Director, by policy statement and with the approval of the Lessee, Auditor-Controller and County Counsel, may further interpret the percentage categories as set forth in this subsection 5.05.A, with such determination and interpretation to be a guideline in determining the appropriate categories. The provisions of Policy Statement No. 21, as amended as of the date of this Lease, concerning certain activities covered by subsections 5.05.A(6), (7) and (19), above, are excerpted and restated on Exhibit H attached hereto and are incorporated herein by reference.

5.05.B. Credit for Excess Payments. If rent payments actually made by a Lessee in a particular Lease Year exceed the total rentals actually due for that year as computed on an annual basis ("Excess Percentage Rent Payment"), Lessee shall be allowed to credit the Excess Percentage Rent Payment against the succeeding monthly installments of percentage rent otherwise due under this Section 5.05 until

such time as the entire Excess Percentage Rent Payment has been recouped.

5.05.C. Effect of Sublessee, etc., Doing Business. Where a Sublessee, licensee, or permittee is conducting a business or engaged in any use or occupation or any combination thereof on the Premises except for those uses or occupations delineated under subsection 5.05.A(3)(g), Lessee shall, with respect to each such Sublease, report whichever of the following results in the greater percentage rental: (1) The Gross Receipts of each Sublessee under one or more of the appropriate subsections of this Section; or (2) Lessee's Gross Receipts from each Sublessee under subsection 5.05.A(3); provided, however, Lessee's Gross Receipts shall not include rent received under any Sublease of all or substantially all of the Premises to the hotel owner or the operator of the hotel or an Affiliate of either of them (the "Major Sublease").

5.05.D. 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.

5.05.E. Use Not Covered. Where the Director and the Lessee and/or Sublessee find that a percentage of Gross

Receipts is not suitable or applicable for a particular activity not otherwise provided for herein, the Director may establish a minimum monthly rental or fee for that activity. Said rental or fee shall be set by the mutual consent of Director and Lessee and shall be reasonable in accordance with the revenue generated by the Lessee and/or Sublessees.

5.05.F. Gross Receipts. Except as herein provided, the term "Gross Receipts" as used in this Lease, means all money, cash receipts, assets, property or other things of value, including but not limited to gross charges, sales, rentals, fees and commissions made or earned by Lessee and/or all his assignees, Sublessees, licensees, permittees or concessionaires, whether collected or accrued from any business, use or 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 specifically provided herein or by policy statement issued by Director, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, but without limitation to salaries, wages, costs of goods, interest, debt amorti-

zation, credit, collection costs, discount from credit card operations, insurance and taxes.

(2) Gross Receipts shall not include direct taxes imposed upon the consumer and collected therefrom by the Lessee such as, but not limited to, retail sales taxes, excise taxes, or related direct taxes paid periodically by Lessee to a governmental agency accompanied by a tax return statement.

(3) Except as specifically provided below by policy statement, Gross Receipts reported by Lessee and its Sublessees, assignees, licensees, concessionaires and permittees, must include the usual charges subject to the provisions of Policy Statement No. 20, as amended as of the date of this Lease, which provisions are excerpted and restated on Exhibit F attached hereto and incorporated herein by reference, for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees. Bona fide bad debts actually incurred by Lessee, or its Sublessees, assignees, licensees, concessionaires and permittees may be deducted from Gross Receipts. There shall, however, be no deduction for bad debts based on past experience or transfers 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) The Director, by policy statement, consistent with recognized and accepted business and accounting practices, and with the approval of the Lessee, Auditor-Controller and County Counsel, may further interpret the term "Gross Receipts" as used in this Lease.

5.05.G. Listing of Percentages Does Not Affect Article 3. It is understood that Article 3 of this Lease provides for all the purposes or uses of the Premises and that the percentage categories listed in subsection 5.05.A are not all applicable to this Lease and are in no way intended to expand the purposes and uses provided for by Article 3.

5.06. Deposit. County hereby acknowledges receipt from Lessee of the sum of THIRTY THOUSAND DOLLARS (\$30,000). This sum, which is an amount equal to three (3) months' initial minimum rental, shall be retained by County as a security deposit to cover delinquent rent and any other obligations of the Lessee under this Lease, and shall be so applied at the discretion of County.

5.06.A. Increase in Deposit. The initial deposit shall be increased upon each anniversary of the term to the sum which is equal to the lesser of the following amounts:

(1) Three (3) times the minimum monthly rent then in effect; or

(2) THIRTY THOUSAND DOLLARS (\$30,000) increased by the same percentage increase in the Residential Rental Component of the Consumer Price Index for All Urban Consumers (base year 1967) for the Los Angeles-Long Beach Area, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index").

In order to determine the new deposit amount under this subsection 5.06.A(2), THIRTY THOUSAND DOLLARS (\$30,000) shall be multiplied by a fraction, the numerator of which is the Index most recently published before the date of the adjustment, and the denominator of which is the Index published most recently before the commencement date of the term ("Beginning Index"). The greater of the resultant figure, or THIRTY THOUSAND DOLLARS (\$30,000), shall be the deposit amount under this subsection 5.06.A(2).

If the Index is changed so that the base year differs from that used for the Beginning Index, the Index shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index of computation with which it is replaced shall be used in order to obtain substantially the same

result as would be obtained if the Index had not been discontinued or revised. In the event County and Lessee fail to agree on the use of a replacement index, the selection of the same shall be determined by arbitration in accordance with Section 16.16, below.

5.06.B. Replacement. In the event all or any part of said sum so deposited is applied against any rent or other obligations of Lessee due and unpaid, the Lessee shall, within ten (10) days of receipt of written notice of the amount so applied and the reasons for such applications, reimburse the County an amount equal to that portion of the security deposit applied by County so that at all times during the life of this Lease said full security deposit shall be maintained with County. Failure to maintain the full amount of security deposit shall constitute an Event of Default as provided for in Section 8.01.

5.06.C. Refund; Interest. Upon termination of this Lease, any portion of said deposit due the Lessee shall be returned. County shall deposit security funds in a demand interest-bearing account; interest earned on cash deposits shall be disbursed to Lessee on a quarterly basis.

5.06.D. Replacement With Bond. At any time subsequent to the first three (3) years of the term of this Lease, Lessee may, with approval of Director, substitute for

said cash security deposit a corporate surety bond issued by a surety company licensed to transact business in the State of California, or such other bond or written undertaking satisfactory to Director, in an amount equal to said deposit.

5.07. Deferral of Percentage Rents. Once hotel operations commence on the Premises, and throughout the "Start-Up Period," Lessee shall be entitled to defer one-half (1/2) of the Percentage Rents that would otherwise be due under Section 5.05 in accordance with this Section 5.07.

5.07.A. Start-Up Period. The "Start-Up Period" shall commence upon the Commencement of Hotel Operations and end upon the earlier of: five (5) years following the Commencement of Hotel Operations; or, the end of the Lease Year ^{October 1, 1990} in which the aggregate of the Minimum Annual Rent and the Percentage Rents for such year, including any potentially deferred amounts, equal or exceed ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000).

5.07.B. Interest. Each installment of Percentage Rents which is deferred (the "Accrued Rent") shall bear interest from the date such rent is first deferred until the end of the Start-Up Period. Interest shall be calculated at the reference rate or its equivalent in effect from time to

time at Manufacturers Hanover Trust Company, New York, New York (the "Agreed Rate"). Should that Bank cease to exist, the Agreed Rate shall be the average reference rate (or its equivalent) of the three (3) largest commercial banks headquartered in California. If the hotel improvements are subject to any Permanent Financing, the Agreed Rate shall be increased (but not decreased) to the rate of interest under the Permanent Financing. If the Agreed Rate is higher than the maximum rate permitted by law (the "Maximum Legal Rate"), the Agreed Rate shall be reduced to the Maximum Legal Rate.

5.07.C. Aggregate Accrual. At the end of the Start-Up Period, all installments of Accrued Rent and all interest thereon through the end of the Start-Up Period shall be added together ("Aggregate Accrual"). The Aggregate Accrual shall bear interest at the Agreed Rate from the end of the Start-Up Period to the date the Aggregate Accrual is paid.

5.07.D. Payments.

(1) Interest on the Aggregate Accrual shall be paid in full within five (5) days following the end of each year, commencing on the fifth (5th) day following the first (1st) anniversary of the end of the Start-Up Period.

(2) The entire Aggregate Accrual and any unpaid interest thereon shall be due and payable upon the first of the following to occur: (a) after Commencement of Hotel Operations, a Change of Ownership in the Lease, or if there is a Major Sublease, then only if there is a Change in Ownership in the Major Sublease or other estate where the beneficial interest in the hotel itself is held; (b) a Permanent Refinancing of the hotel and its facilities; or (c) the date which is fifteen (15) years following the date of Commencement of Hotel Operations.

(3) The first Permanent Financing by the person or entity constructing the Luxury, First-Class hotel improvements (the "Initial Hotel Owner") shall not be treated as a Permanent Refinancing. "Permanent Financing" or "Permanent Refinancing" shall mean the financing or refinancing, whichever is appropriate, of the hotel improvements by any conventional means for a period of not less than ten (10) years, such as a straight interest-bearing mortgage, an equity participation mortgage, a sale-leaseback where the transaction is in economic effect a financing, or any other common method of financing. Similarly, the transfer of an equity position in the Luxury, First-Class hotel improvements by the Initial Hotel Owner as a part of or in lieu of the first Permanent Financing shall not be deemed a Change

in Ownership or a Permanent Refinancing. Provided, however, if such transfer of an equity position is in lieu of the first Permanent Financing, it shall be treated as the first Permanent Financing. Notwithstanding the foregoing, the first Permanent Refinancing shall not cause the Aggregate Accrual to become due, provided that ninety-five percent (95%) of the proceeds of such refinancing are used to retire existing approved encumbrances.

(4) The amount of any payment which exceeds the Maximum Legal Rate shall be a payment of principal.

5.08. Renegotiation of Minimum Annual Rent and Percentage Rents. The Minimum Annual Rent and Percentage Rents shall be readjusted to the Fair Rental Value of the land and water, if any, comprising the Premises as of the Renegotiation Date, in accordance with this Section.

5.08.A. Renegotiation Date.

(1) So long as the Premises are used for a Luxury, First-Class hotel as defined in subsection 3.01.A, the "Renegotiation Date" shall mean only August 1, 2028.

(2) Should the Premises ever cease to be used for a Luxury, First-Class hotel, then the "Renegotiation Date" shall mean the thirtieth (30th) anniversary of the commencement of the term of this Lease or the date which the hotel ceases to be used as a Luxury, First-Class hotel,

whichever is later, and each subsequent fifth (5th) anniversary thereafter, provided, however, if the hotel ceases to be a Luxury, First-Class hotel after August 1, 2028 but before August 1, 2033, then the second Renegotiation Date shall occur on August 1, 2033 and subsequent Renegotiation Dates shall occur every five years thereafter.

(a) The hotel shall be deemed to have lost Luxury, First-Class status if it fails to retain the Rating for two (2) successive years; provided, however, that this deemed loss of status may be rebutted by a showing that, notwithstanding such loss, the hotel is nonetheless the equivalent of a hotel with the Rating. The "Rating" shall mean that a hotel is then rated as a "four stars" or "five stars" hotel by the Mobil Travel Guide (or any successor publication thereto continuing such rating system), a "four diamonds" or "five diamonds" hotel by the American Automobile Association (or any successor thereto continuing such rating system) or the highest or next highest category (if such service has more than three categories) by some other nationally recognized hospitality industry rating service if the former two ratings are unavailable. If such service has less than four categories, then the Rating shall mean that a hotel is then rated in the highest category. The hotel shall be the equivalent of a hotel with the Rating

if it is as luxurious and first-class in image, style and quality as a hotel with the Rating in the following respects: general decor and decoration; furnishings; furniture; cleanliness; quality of service to guests; quality of food and beverages; quality of silverware, tableware and glassware; and general promotion. In determining whether the Premises is being operated as a Luxury, First-Class hotel; (a) due regard shall be given to variations from other hotels arising from local customs and standards, manner of construction and variations in customer profile; (b) due regard shall be given to the effect that the exercise of the County's rights hereunder have had on the operation of the hotel, including, with particularity, any exercise of rights under Article 6; and (c) periods during which major repairs, renovations and restorations are being effected on the Premises shall be disregarded.

(b) Notwithstanding the loss of Luxury, First-Class status, as described in the preceding subsection 5.08.A(1)(a), Lessee shall be entitled to one (1) opportunity to prevent the multiple Renegotiation Dates resulting from such loss. This shall occur if the hotel regains Luxury, First-Class status for the five (5) successive years immediately preceding the Renegotiation Date which resulted from such earlier loss of status. Should the hotel lose

Luxury, First-Class status again, however, the multiple Renegotiation Dates shall become effective.

(c) The multiple Renegotiation Dates shall occur by reason of written notice from the Director to Lessee stating that the hotel has lost Luxury, First-Class status. If Lessee disputes the notice from the Director and the matter is not resolved by the parties within thirty (30) days following the date of such notice, then the matter shall be resolved by binding arbitration in accordance with Section 16.16.

(d) The County acknowledges that it is unlikely that the hotel will receive a Rating within the first two years following the Commencement of Hotel Operations.

5.08.B. Fair Rental Value. The Fair Rental Value of the Premises on the Renegotiation Date shall mean that fixed dollar amount for the Minimum Annual Rent and the percentages of Gross Receipts which the land and water, if any, comprising the Premises, excluding improvements, would bring if exposed for lease in the open market allowing a reasonable time to find a tenant who leases with knowledge of all Relevant Factors, where neither the Landlord nor Tenant are under abnormal pressure, assuming the continued use of the Premises for the then-existing hotel. "Relevant Factors"

shall mean all matters which, in the opinion of a professional real estate appraiser who is a member of the American Institute of Real Estate Appraisers and of the Society of Real Estate Appraisers (an "AIREA/SREA Appraiser"), affect the desirability of the Premises, including, by way of example rather than limitation: the nature and type of improvements then located upon the Premises, assuming such improvements have been properly maintained and repaired, ordinary wear and tear excepted; the uses to which the Premises and such improvements are then being devoted and ancillary uses, in addition to the hotel and related facilities, to which they might be reasonably adapted under the expressed terms of this Lease as it is amended by mutual agreement from time to time; the scarcity value of the land and water, if any, affected by this Lease; the industry classification of such hotel (such as "Luxury, First-Class," "First-Class," "Superior," etc.) and the percentage customarily paid by a hotel of that particular classification. Percentages shall be established for all classifications of use in subsection 5.05.A, irrespective of Lessee's then ability to use the Premises therefor, and for all uses to which all or some portion of the Premises is then being devoted.

5.08.C. Rental Floor. If there is only the single Renegotiation Date of August 1, 2028, the percentages for the various classifications of operations contained in subsection 5.05.A shall in no event be established at rates lower than the percentages set forth in such subsection 5.05.A. For example, the percentage of Gross Receipts on hotel room rentals shall never fall below seven and one-half percent (7.5%). If there are multiple Renegotiation Dates, this limitation shall not apply.

5.08.D. Adjustments Following Renegotiation Date. If there is only one (1) Renegotiation Date under subsection 5.08.A, then the Minimum Annual Rent shall be subject to readjustment upon each tenth (10th) anniversary of the Renegotiation Date in the manner specified in Section 5.04. If there are Multiple Renegotiation Dates, the Minimum Annual Rent and Percentage Rents shall be adjusted on each Renegotiation Date.

5.08.E. Renegotiation Period.

(1) Not more than one (1) year nor less than nine (9) months prior to the Renegotiation Date, County shall send Lessee written notice setting forth the County's determination of the Fair Rental Value of the Premises. The County's notice must include a list of properties which it has utilized in determining such Fair Rental Value; and, as

to any of such properties which are leased or owned by the County, County shall, at Lessee's request, furnish to Lessee such information regarding such properties as Lessee may reasonably request. County shall not be required to furnish any information which County is required to keep confidential.

(2) If Lessee disagrees with any component of the Fair Rental Value specified by County, Lessee shall give County written notice of such disagreement within the sixty (60)-day period following Lessee's receipt of Landlord's notice ("Lessee's response period"). The Lessee's notice must include a list of properties which it has utilized in determining Fair Rental Value. Lessee shall, at County's request, furnish such other information regarding such properties as it possesses. Failure to so notify County during the Lessee's response period shall result in the County's determination of Fair Rental Value becoming binding upon Lessee. Objection to any component shall constitute an objection to Landlord's entire determination.

(3) Within fifteen (15) days of written request sent by Lessee in accordance with Section 16.09, County shall furnish Lessee with a list of the then-current rentals being charged by County on the other Marina del Rey parcels specified in the request.

(4) If Lessee does so notify County as to a disagreement, then County and Lessee shall have sixty (60) days from the end of the Lessee's response period (the "Renegotiation Period") within which to attempt to agree upon all components of the Fair Rental Value of the Premises. If the parties do so agree within the Renegotiation Period, they shall execute an addendum to this Lease setting forth the agreed Fair Rental Value of the Premises.

5.08.F. Statements of Position; Arbitration Required. If the County and Lessee have not agreed as to the Fair Rental Value of the Premises by the end of the Renegotiation Period, then each party shall have fifteen (15) days from the end of the Renegotiation Period to deliver to the other party a written notice setting forth that party's position as to each component of the Fair Rental Value of the Premises (the "Statement of Position"), and the Fair Rental Value of the Premises shall thereafter be determined by arbitration in accordance with Section 16.16 of this Lease. If either party fails to so deliver its Statement of Position, then the other party's Statement of Position shall be binding as the Fair Rental Value of the Premises. An Approved Encumbrance Holder whose encumbrance is of apparent first priority of record shall be entitled to submit, on behalf of Lessee, a Statement of Position within

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the time period provided herein. County shall treat such statement as if it had been submitted by Lessee only if Lessee does not submit its Statement of Position within such time period. If both Lessee and such Approved Encumbrance Holder submit Statements of Position, the Lessee's Statement of Position shall take precedence and the Approved Encumbrance Holder's Statement of Position shall

be disregarded.

5.08.G. Interim Rent Payments During Arbitration.

If the arbitration is not concluded before the Renegotiation

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Date, then the rent to be paid until arbitration is complete shall be determined in accordance with this subsection 5.08.G.

(1) If only one party's Statement of Position consists of only figures and percentages set forth in an opinion of Fair Rental Value contained in a written appraisal by an AIREA/SREA Appraiser, dated not more than nine (9) months prior to the Renegotiation Date (an "Appraisal-Based Statement"), then rent shall be paid according to the Appraisal-Based Statement. If both parties' statements are Appraisal-Based Statements, then the individual components of rent shall be determined by averaging the components as set forth on the two (2) Appraisal-Based Statements, and such averages shall constitute the method of calculating the rent.

(2) If neither party's Statement of Position is an Appraisal-Based Statement, then the individual components of rent shall be determined by averaging the components as set forth in the two (2) Statements of Position.

(3) In no event, however, shall the interim Minimum Monthly Rent and Percentage Rent figures be less than the amounts in effect immediately prior to the Renegotiation Date.

5.08.H. Correction of Overpayments/Underpayments.

(1) If the Fair Rental Value as determined by arbitration is higher than the rent paid pursuant to the preceding subsection 5.08.G, Lessee shall pay the entire difference to County within thirty (30) days following the arbitrator's decision, together with interest on the difference in each installment at a rate equal to the lower of the Maximum Legal Rate or two percent (2%) per annum more than the Agreed Rate, from the date the installment was first due until such installment is actually paid ("Adjustment Interest").

(2) If the Fair Rental Value as determined by arbitration is lower than the rent paid pursuant to subsection 5.08.G, Lessee shall be entitled to a credit against the installments of Minimum Monthly Rent and Percentage Rent next falling due, until such time as the entire difference, together with Adjustment Interest on each installment of the difference, has been recouped.

5.09. Administrative Transfer Fee. Except as otherwise provided in this Section 5.09, each time there is a Change in Ownership as defined in this Section 5.09 below, County shall be paid an administrative fee equal to one percent (1%) of the sales price or other consideration given for the interests transferred ("Administrative Transfer

Fee") as provided in this Section 5.09. This fee shall be due both with respect to this Lease and with respect to the Major Sublease. Each Sublease and/or other agreement whereby a beneficial interest in this Lease or the Major Sublease is created or transferred, whereby a Change in Ownership could occur, shall impose the obligation to pay this fee and shall provide that such payment shall be made as provided in Section 5.09.E(4).

5.09.A. Definition of Change in Ownership.

"Change in Ownership" shall mean any transaction which results, directly or indirectly, in the Aggregate Transfer of fifty percent (50%) or more of the beneficial interest in this Lease or the Major Sublease.

(1) With respect to the Lessee's interest under this Lease, the "Aggregate Transfer" shall mean the total percentage of the beneficial interest transferred in all transactions occurring since the later of the execution of this Lease or the most recent transfer of a beneficial interest in this Lease upon which an Administrative Transfer Fee was paid. With respect to the Major Sublease, the "Aggregate Transfer" shall mean the total percentage of the beneficial interest transferred in all transactions occurring since the later of the execution of the Major Sublease or the most recent transfer of a beneficial interest in the

Major Sublease upon which an Administrative Transfer Fee was paid. Transfers of the same interest or portions thereof shall not be counted more than one (1) time, unless such interest is itself fifty percent (50%) or more of the beneficial interest in this Lease or the Major Sublease, whichever is appropriate. For example, if forty percent (40%) of the beneficial interest in the Lease is sold two (2) times, but the remaining sixty percent (60%) is not sold, no Change in Ownership shall have occurred; a Change in Ownership would occur when ten percent (10%) out of that sixty percent (60%) is subsequently transferred. Beneficial interests in this Lease or the Major Sublease, whichever is appropriate, shall include, without limitation, general and limited partnership interests with respect to any partnership and stock with respect to a corporation which is an owner of an interest in this Lease or the Major Sublease, whichever is appropriate.

(2) Where an interest in an entity is itself held by an entity, the provisions of this Section 5.09 shall likewise apply with respect to the entity holding such interests; however, a Change in Ownership would not be deemed to occur merely because 50% or more of the ownership of such entity were to be transferred. For example, if a corporation held a 10% interest in Lessee, then a transfer

of 60% ownership in such corporation would be treated as a transfer of a 6% interest in the Lease.

(3) By way of clarification, a Change in Ownership shall not include a mere change in the form, method and/or status of ownership; and shall not include a transfer between or among individuals and/or entities, provided that the transfer does not result in a cumulative total of fifty percent (50%) or more of the beneficial interest in this Lease or the Major Sublease having been transferred by the individuals and/or entities owning such beneficial interests at the later of the time of execution of this Lease or the time an Administrative Transfer Fee was most recently paid with respect to the Lease or Major Sublease, whichever is appropriate.

(4) As used in this Lease the "beneficial interest in this Lease" or the "beneficial interest in the Major Sublease" shall refer to the ultimate owner or owners of the Lessee's interest in the Lease or the Major Sublessee's interest in the Major Sublease, whichever is appropriate, regardless of the form of such ownership and regardless of whether such interests are owned through corporations or partnerships or layers thereof. Provided, however, that if an entity with an ownership interest in the Lease or the Major Sublease is a partnership or corporation whose benefi-

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cial interest in the Lease or the Major Sublease, whichever is appropriate, is less than 15% of its total assets or is one in which there are not less than 10 shareholders or partners who together own more than 30% of the partnership interests or shares of the entity, then the entity itself shall be deemed to be the owner of the beneficial interest in the Lease or the Major Sublease, whichever is appropriate, and the owners of such entity shall be disregarded. Section 318(a) of the Internal Revenue Code of 1954, as amended, shall apply for purposes of determining a person's or an entity's ownership of partnership interests or shares.

For example, if the Lease or the Major Sublease is held by a partnership, with one partner owning 50% and being a corporation and one partner owning 50% and being an individual (X) and the corporation is itself owned 80% by an individual (Y) and 20% by an individual (Z) then the beneficial interest in the Lease or the Major Sublease, whichever is appropriate, shall be deemed to be owned as follows: 50% X; 40% Y; 10% Z.

(5) If an owner of a beneficial interest in this Lease or the Major Sublease is an entity which owns assets other than this Lease or the Major Sublease, whichever is appropriate, and if interests in such entity are transferred, thereby causing the transfer of a beneficial

interest in this Lease or the Major Sublease, whichever is appropriate, the sales proceeds from the sale of interests in such entity shall be apportioned to this Lease or the Major Sublease, whichever is appropriate, and to other assets owned by such entity in the same proportion as the relative fair market values of this Lease or the Major Sublease, whichever is appropriate, and such other assets. Defined Net Transfer Proceeds, if any, and the Administrative Transfer Fee, if any, shall be calculated only with respect to the amount of such sales proceeds apportioned to this Lease or the Major Sublease, whichever is appropriate, and shall not be calculated with respect to the amount of such sales proceeds apportioned to such other assets.

5.09.B. Exempt Changes in Ownership. There shall be no Administrative Transfer Fee due with respect to any Change in Ownership which occurs by reason of:

(1) A transfer to a spouse in connection with a property settlement agreement or decree of dissolution of a marriage or legal separation;

(2) A transfer which serves as security for a loan from any Approved Encumbrance Holder but which does not entitle such holder to any immediate right to use, occupy, possess or receive the rents or profits from the leasehold for so long as the assignor makes the required periodic

payments and complies with other provisions of the loan, or a transfer resulting from a foreclosure (by judicial foreclosure or trustee's sale) by such an Encumbrance Holder or a transfer in lieu thereof;

(3) A transfer of a beneficial interest in the Lease or the Major Sublease resulting from devise, bequest, intestate succession or by operation of law for the benefit of the spouse or descendants of (a) Lessee (if an individual), or (b) a partner of Lessee or Major Sublessee, whichever is appropriate, if Lessee or Major Sublessee is a partnership or (c) an owner of Lessee or Major Sublessee, whichever is appropriate, if other than an individual or partnership;

(4) Transfer of a beneficial interest in this Lease or the Major Sublease resulting from public trading in the stock or securities of an entity, where such entity is (a) 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, (b) is a Real Estate Investment Trust as defined in Section 856 of the Internal Revenue Code, or (c) one of the fifty (50) largest mutual insurance companies in the United States. This exemption shall not apply however if the Change of Ownership

of such entities results from the sale of a controlling block of shares or interests in such entity or from the original public issuance of such interests.

(5) The entering into of a Major Sublease by Lessee.

(6) If the initial transferee from MDP is a partnership, the purchase by one or more of the remaining partners of a 15% interest of a partner who dies within 2 years of his acquisition of a partnership interest, where such purchase is made pursuant to an agreement between such partners executed at the same time or before the date such 15% partnership interest was acquired and the equity paid to such partner's estate is not more than two (2) million dollars.

5.09.C. Special Treatment for Equity Hotel Financing. If the Initial Hotel Owner, as a part of or in lieu of its first Permanent Financing, conveys a portion of the beneficial interest in this Lease or the Major Sublease, whichever is appropriate, the Administrative Transfer Fee which would otherwise be due as a result of such transfer shall be waived. Where a portion of the Initial Hotel Owner's beneficial interest has been so transferred, then the Initial Hotel Owner's retained ownership and the transferee's ownership interest shall thereafter be treated, for

Administrative Transfer Fee purposes only, as separate estates to which the other provisions of this Section 5.09 apply. For example, if the transferee received a fifty percent (50%) ownership interest and the Initial Hotel Owner then conveyed fifty-one percent (51%) of his retained ownership (or 25.5% of the whole), a Change in Ownership requiring payment of the Administrative Transfer Fee would have occurred.

5.09.D. Waiver of Administrative Transfer Fee for MDP. County shall waive the Administrative Transfer Fee, if any, for the first transfer by MDP of an interest in this Lease, provided all of the following occur:

(1) The transfer occurs within eighteen (18) months of the date of this Lease;

(2) The transfer occurs prior to the time any long-term prepaid subleases have been entered into on the Improved Parcel; and

(3) The transfer of the Premises is either: to the Luxury, First-Class hotel operator as defined in Section 3.01.A; or, to the same person or entity acquiring the remainder of the Property in a single transaction.

5.09.E. Calculation and Payment of Fee. The Administrative Transfer Fee shall be due and payable concur-

rently with the transfer giving rise to the obligation to pay such fee.

(1) Where the entire Lessee's (or Major Sublessee's) interest or all of the beneficial interest in the entity comprising Lessee (or the Major Sublessee) is transferred, the Administrative Transfer Fee shall be an amount equal to one percent (1%) of the sales price or other consideration given for the interest transferred.

(2) Where the Change in Ownership has occurred by reason of the transfer of less than one hundred percent (100%) of the Lessee's beneficial interest in this Lease (or the Major Sublessee's beneficial interest in the Major Sublease), the Administrative Transfer Fee would be due with respect to only those portions of the beneficial interest in this Lease or the Major Sublease, whichever is appropriate, which have been transferred since the later of the date of execution of this Lease (or the Major Sublease) or the time an Administrative Transfer Fee was most recently paid with respect to this Lease (or Major Sublease). The Administrative Transfer Fee shall be equal to one percent (1%) of the aggregate acquisition cost of the then owners of such interests, including the owner whose transaction resulted in the Change in Ownership.

(3) 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"), then such note shall be valued in accordance with this subsection 5.09.E(3). A Purchase Money Note shall be valued at its face amount unless, (i) by its terms, payment thereof is contingent upon the occurrence of some event other than either the mere passage of time or an event within the control of the transferor or (ii) a note which is both secured only by the interest transferred and is non-recourse. In either of these latter cases, the Purchase Money Note shall not be valued until payment is made, and the Administrative Transfer Fee thereon shall be equal to one percent (1%) of the payment(s) actually made on such note.

(4) Payment of the Administrative Transfer Fee shall be the obligation of the parties who are the Lessee or the Major Sublessee, whichever is appropriate, immediately following the completion of the transfer giving rise to the Administrative Transfer Fee; provided, however, with respect to the transfer giving rise to the Administrative Transfer Fee, the obligation to pay that portion of the Administrative Transfer Fee applicable to such transfer shall be the joint and several obligation of both the

transferor and transferee. Each such party shall be liable only with respect to the Administrative Transfer Fee due on its respective purchase price. In the event that a party fails to pay the Administrative Transfer Fee due with respect to its beneficial interest in this Lease, then County shall have the remedies provided for in Article 8 with respect to the percentage interest in the leasehold estate equal to such party's beneficial interest in this Lease.

5.10. General Provisions Regarding Recovery of Costs and Payment of Proceeds. Sections 5.11 and 5.12 provide for the payment to County of certain types of proceeds, after Lessee has recovered all of its legitimate costs. Exhibits D and E set forth the types of costs which are recoverable, and are illustrative rather than exhaustive. The following general provisions shall apply to the interpretation and implementation of such Sections and Exhibits.

5.10.A. Construction. The cited Sections and Exhibits shall be construed so as to allow Lessee to recover all of its actual legitimate costs, except for those specifically excluded, before the County participates in proceeds, while at the same time ensuring a proper accounting and allocation of all costs and an allowance for and limitation of costs incurred with parties related to or affiliated with

Lessee equal to the amount that would have been incurred had Lessee contracted with nonrelated third parties for the goods or services provided by a related or affiliated entity. Lessee shall be entitled to recover a particular cost only once, irrespective of whether that cost was recovered first through a deduction from Defined Net Transfer Proceeds or Defined Net Refinancing Proceeds, or as an Improvement Cost or Transaction Cost. The purposes of the lists contained in the exhibits are to list examples of types of costs that are to be recovered by Lessee rather than listing every specific cost. Lessee shall be entitled to recover and deduct from proceeds all payments hereafter made or liabilities incurred (other than for the repayment of money borrowed) by Lessee for such costs.

5.10.B. Improvement Costs. Improvement Costs include all costs for improving the Premises. Lessee shall be entitled to a deduction from Defined Net Transfer Proceeds for the cost of all improvements made by Lessee to the Premises.

5.10.C. Work by Related or Affiliated Entity. Lessee, at its option, may cause Lessee or its partners or their affiliates or related entities, or officers or employees thereof, to perform services or provide materials or equipment customarily supplied in connection with the

Improvement and/or Transaction process(es), and Lessee shall be entitled to include as Improvement Costs or Documented Transaction Costs (collectively, "Costs") an amount for such services or materials or equipment which amount, including profit, shall be equal to the fair market rates for such services or materials or equipment.

(1) Lessee shall identify to County any cost or charge paid to Lessee or to any related entity which Lessee includes in Costs and shall furnish County with sufficient data regarding the fair market value thereof to enable County to evaluate the Cost, such as supporting unrelated third-party bids, written estimates prepared by unrelated third parties, names and telephone numbers of unrelated third parties providing such materials or services or other similar means. An entity will be deemed to be affiliated with or related to Lessee if Lessee or its partners, officers or shareholders, either individually or collectively, own not less than fifteen percent (15%) of the beneficial interest of the entity performing the service or providing the materials or equipment, or if Lessee, or any of its partners, officers or shareholders have the right to determine the prices or rates charged by such entity.

(2) Lessee shall not be entitled to charge for the following items, allowance for such items having been made by means of item 22 in Exhibit D:

(a) Any charge, expense or allowance for the overhead (including office rental expenses) and general and administrative expenses of Lessee and its affiliates;

(b) Any salary, other compensation and benefits to any of the persons who are directly or indirectly shareholders or partners in Lessee or who are officers or directors of MDP, Ltd. or Hughes Aircraft Corporation or who are functioning as the chief operating officer or the chief financial officer of Lessee; or

(c) Any fee to Lessee and its shareholders or partners for profits in connection with the Improvement Costs except as specifically set forth hereinabove.

(3) Provided, further, that under no circumstances shall a Lessee be entitled to include as costs any fee or other charge representing compensation to itself or its partners or their affiliates or officers or employees for obtaining any loans in connection with the purchase of the Premises or the Improvement or Transaction process.

5.10.D. Arbitration. County shall have the right to challenge the legitimacy or amount of any cost. Any dispute over costs not resolved by the parties within thirty (30) days of the County's having notified Lessee of its challenge to a cost shall be resolved by arbitration in accordance with Section 16.16.

5.11. Defined Net Transfer Proceeds. Upon those transfers described in subsection 5.11.D, Lessee shall pay County a sum equal to the excess of twenty percent (20%) of the Defined Net Transfer Proceeds from such transfer, over the amount of any Administrative Transfer Fee paid in connection with such transfer.

5.11.A. Transfer by MDP. In the case of a transfer by MDP, "Defined Net Transfer Proceeds" shall mean the total cash and other consideration received minus "Eligible Costs." Eligible Costs with respect to MDP shall mean the sum of the following:

(1) Any expenditure by Lessee (as opposed to any Sublessee or any other party) in the Premises for physical improvements and renovation of the Premises ("Improvement Costs"), including but not limited to the type which are more particularly set forth on Exhibit D attached hereto and incorporated herein.

(2) Commissions, title and escrow costs, and other documented costs directly attributable to the particular transaction (collectively "Documented Transaction Costs"), including but not limited to the type which are more particularly described on Exhibit E attached hereto and incorporated herein.

5.11.B. Transfer by MDP's Successor. In the case of a transfer by a successor Lessee who purchased its interest from MDP, "Defined Net Transfer Proceeds" shall mean the total cash and other consideration received by Lessee minus "Eligible Costs." Eligible Costs with respect to a successor Lessee shall mean the sum of the following:

(1) The purchase price such Lessee paid to MDP or such Lessee's seller for the interest.

(2) Improvement Costs paid by such successor Lessee (as opposed to any predecessor Lessee, or any Sublessee or any other party).

(3) Documented Transaction Costs in the present transaction.

(4) Documented Transaction Costs incurred by such Lessee in conjunction with any refinancing by such Lessee.

5.11.C. Effect of Refinancing on Improvement Costs. If MDP has paid Defined Net Refinancing Proceeds

pursuant to Section 5.12, then the original principal balance of such refinancing shall be used in place of MDP's Improvement Costs incurred prior to such refinancing and shall be in addition to Improvement Costs incurred after such refinancing. Similarly, if MDP pays Defined Net Refinancing Proceeds on any subsequent financings, the original principal balance of such subsequent financing plus Improvement Costs incurred subsequent to such refinancing shall be used in place of the original principal balance of the Premises' financing.

5.11.D. Transfers to Which Section 5.11 Applies.

The provisions of this Section 5.11 shall apply to each of the following transfers of a beneficial interest in this Lease unless such transfers are otherwise exempted from an Administrative Transfer Fee pursuant to Section 5.09.B., but shall not apply to a mere change in form or method and/or status of ownership or to any transfer of a beneficial interest in the Major Sublease.

(1) Any transfer by MDP which constitutes a Change in Ownership under this Lease, and any subsequent transfer of an interest in this Lease by MDP.

(2) Any transfer of this Lease or in an entity comprising Lessee for which an Administrative Transfer Fee is due pursuant to Section 5.09.

(3) Any transfer by a third party of all or any portion of the third party's beneficial interest in this Lease.

(4) Any transfer of any beneficial interest in a "single-asset" entity which holds all or any portion of the Lessee's interest under this Lease. As used in this subsection 5.11.D, a "single-asset" entity means an entity in which the interest in this Lease constitutes seventy-five percent (75%) or more, by gross value, of the assets of such entity.

(5) Any transfer of an interest in an entity which is not a single-asset entity, and is not a publicly-traded entity of the type described in subsection 5.09.A, but the amounts provided for in this Section 5.11 shall be collected only when sufficient interests in such an entity have been transferred so as to constitute a Change in Ownership.

(6) Any transfer of an interest in an entity which County can demonstrate was formed primarily for the purpose of avoiding the fees provided for in this Section 5.11.

5.11.E. Effect of Transfer of Less than Entire Interest. If MDP transfers less than its entire beneficial interest in this Lease, MDP shall nonetheless be entitled to

deduct all of its Eligible Costs under subsection 5.11.A until such time as MDP has recovered all of its Eligible Costs. If a third party transfers less than its entire beneficial interest in this Lease, then the amount deducted for such third party's Eligible Costs shall bear the same proportion to the third party's total Eligible Costs under subsection 5.11.B as the beneficial interest in this Lease being transferred bears to such third party's entire beneficial interest in this Lease. In addition:

(1) Intentionally deleted.

(2) The transferee of a portion of the beneficial interest in this Lease shall receive an Eligible Cost base equal to the higher of its acquisition cost or its transferee's Eligible Cost base in such beneficial interests if the transaction is one where either an Administrative Transfer Fee or Defined Net Transfer Proceeds were paid, and an Eligible Cost base equal to its transferor's Eligible Cost base in such beneficial interests if no such payment was made. Such transferee's Eligible Cost base shall be increased by Improvement Costs and Documented Transaction Costs which are allocable to such transferee and which are paid or incurred after his acquisition of a portion of the beneficial interest in this Lease, or which are paid or incurred by such transferee after his acquisition of a por-

tion of the beneficial interest in this Lease. Such Eligible Cost base as increased shall be such transferee's Eligible Costs.

(3) Intentionally Deleted.

(4) Every transfer of a beneficial interest in this Lease shall be reported to County in writing within five (5) days following the effective date of the transfer in order to enable County to monitor ownership of the beneficial interest in this Lease.

5.11.F. Valuation of Notes. Should the transferor of an interest accept a note made by its transferee to all or a part of the consideration for the transfer, then such note shall be valued at its face amount unless it is a "Contingent Payment Note" or unless it is sold within 30 days of receipt to a nonrelated third party, in which latter case it shall be valued at the amount obtained. A Contingent Payment Note is a note which, by its terms, is either not due and payable until the occurrence of an event other than the passage of time or within the control of the transferor, or one which is both secured solely by the interest transferred and nonrecourse, in which case such note shall be valued at the amount paid, when paid. A transferee shall not be entitled to include the payment(s) due under any "Contingent Payment Note" as part of its

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acquisition cost until such payment(s) has been made and the County has received any Administrative Transfer Fee or Defined Net Transfer Proceeds due with respect to such payment(s).

5.11.G. Termination of County's Right to Defined Net Transfer Proceeds. The County's right to Defined Net Transfer Proceeds shall terminate in the case where the entire beneficial interest in this Lease is sold or otherwise transferred to the Operator of the Hotel, in a transaction whereby the transferring Lessee retains no right to reacquire any beneficial interest in this Lease. The "Operator of the Hotel" is the party who owns either a total of fifty percent (50%) or more of the beneficial interest in the hotel and related improvements, or fifty percent (50%) or more of the beneficial interest in the partnership, joint venture or corporation which owns the hotel, or a party who owns twenty-five percent (25%) or more of the beneficial interest in the hotel and related improvements and has one of the following kinds of control with respect to the hotel business on the property: he is the active manager of hotel operations or he has the right to hire and fire the active manager of hotel operations. Defined Net Transfer Proceeds shall, however, be due with respect to the actual transfer

to such Operator of the Hotel. Once terminated, County's right to Defined Net Transfer Proceeds shall not revive.

5.11.H. Payment. Defined Net Transfer Proceeds shall be due and payable concurrently with the transfer giving rise to the obligation to pay Defined Net Transfer Proceeds and shall be the joint and several obligation of the transferee and transferor; provided, however, that any payment with respect to a Contingent Payment Note shall be due and payable within five (5) days following the receipt of such contingency payment by the transferor. Payment of Defined Net Transfer Proceeds with respect thereto shall be the obligation of the Lessee making such contingency payment, however.

5.12. Defined Net Refinancing Proceeds. If MDP refinances this Lease, then MDP shall pay to County a sum equal to twenty percent (20%) of Defined Net Refinancing Proceeds. "Defined Net Refinancing Proceeds" shall mean the gross principal amount of any financing placed on the Premises after the date of this Lease, minus the sum of the following: MDP's Improvement Costs; and Documented Transaction Costs. Any refinancing occurring prior to a Change in Ownership of this Lease shall be deemed to be a refinancing by MDP; after a Change in Ownership which constitutes less than the Lessee's entire beneficial interest in this Lease, this

Section 5.12 shall apply only to MDP's interest. No percentage of Defined Net Refinancing Proceeds shall be payable by any entity other than MDP, or an entity controlled by or under common control with MDP.

5.13. Late Charge. Lessee agrees to pay County a late charge on all sums not received by County within ten (10) days of the date the sum is due. The late charge shall be equal to six percent (6%) of the sum not so received.

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

5.15. Net Lease. The parties acknowledge that this Lease is intended to be absolutely net to County. The rent and other sums to be paid to County hereunder are not subject to any demand, set-off or other withholding.

ARTICLE 6. CONTROLLED PRICES.

6.01. Limitation on Prices to be Charged. 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 hereby demised, 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 Premises herein demised is intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost; second, that Lessee is entitled to a fair and reasonable return upon his investment pursuant to this Lease.

It is acknowledged and agreed by County that the charges at a Luxury, First-Class hotel are generally higher, and often substantially higher, than the rates charged by other hotels, and that Lessee or a Luxury, First-Class Hotel Operator must obtain such higher rates to justify an investment in such a hotel.

6.02. Director's Right to Review/Modify Price. 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.

6.03. Appeal of Director's Decision. The Lessee may appeal the determination of the Director to the Board of Supervisors, whose decision shall be final and conclusive in the absence of further appeal. Pending such appeal, the prices fixed by the Director shall be the maximum charged by the Lessee. If the Board fails to act within three (3) months following the date Lessee appeals to the Board or, if the Board renders a decision within such three (3)-month period which Lessee desires to appeal, then the price issue shall thereafter be determined by binding arbitration in accordance with Section 16.16. This appeal and the possible arbitration of prices shall be Lessee's sole remedy under this Article 6.

ARTICLE 7. OWNERSHIP AND DISPOSITION OF INSTALLATIONS OR IMPROVEMENTS.

7.01. Improvements Owned by Lessee During Term. Lessee shall own all structures, buildings, docks, or improvements constructed by Lessee upon the Premises, and all alterations, additions, or betterments thereto, until the expiration or sooner termination of this Lease.

7.02. County's Election to Receive Improvements. Upon the expiration or sooner termination of this Lease, all structures, buildings, docks, improvements and all alterations, additions, and betterments thereto, and all other

improvements made to or upon the Premises, shall, at the option of County, 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 to receive any and all proceeds which are attributable to the taking in eminent domain of business installations, improvements, structures, docks and buildings belonging to Lessee immediately prior to the taking of possession by the condemning authority as said rights are set forth in Article 15 of this Lease or to remove any personal property not affixed or any ornamental fixtures.

7.03. Duty to Remove. In the event of expiration or sooner termination of this Lease, the County may, upon written notice within 60 days thereafter, require the Lessee to remove, at the sole cost and expense of Lessee, and not later than ninety (90) days after such notice, all structures, buildings, docks, and improvements of any kind whatsoever placed or maintained on the Premises, which are above the ground, whether placed or maintained by Lessee or others, including, but not limited to, wharves, piers, docks, slips, concrete foundations, structures and buildings; and if such structures are removed by Lessee, then Lessee shall, upon the expiration or termination of this Lease, immediately

restore, and quit, and peacefully surrender possession of, the Premises to County in at least as good and usable condition, as the same were in at the time of first occupation thereof by Lessee or others, excepting ordinary wear and tear and excepting other improvements which are not required to be removed by this Section 7.03. Lessee's ninety (90) day period in this section shall be extended to such longer time as is reasonable under the circumstances, provided Lessee pursues its obligations under this section with reasonable due diligence.

7.03.A. County's Right to Remove Improvements.

Should Lessee fail to so remove said structures, buildings, docks 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 consideration received by County as a result of such sale, removal or demolition.

7.03.B. Duty to Remove Machinery, Etc. Within thirty (30) days after expiration or sooner termination of this Lease, Lessee shall in any event remove at its cost and expense such machinery, appliances or fixtures as are not firmly affixed to said structures, buildings, docks and improvements. Should Lessee fail to so remove said appli-

ances or fixtures within said period, 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 any cost or expense thereof in excess of any consideration received by County as a result of said sale, removal, or demolition.

7.04. Intentionally Deleted.

7.05. Title to Certain Improvements Passes to County; Tenant to Maintain. Title to all utility lines, transformer vaults and all other service facilities constructed or installed by Lessee upon the Premises shall vest in County upon construction or installation. Notwithstanding the foregoing sentence, such utility lines, transformer vaults and all other service facilities, shall be maintained, repaired, and replaced, if necessary, by Lessee, if needed by Lessee during the term hereof.

ARTICLE 8. TENANT DEFAULT AND COUNTY REMEDIES.

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

8.01.A. Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other payments required under this Lease, within ten (10) days after written notice from Director that said payments are due and owing.

8.01.B. Failure to Substantially Commence Construction. The failure of Lessee to substantially commence construction of a Luxury, First-Class hotel within the time provided in Sections 4.08.A, 4.09 and 4.10 of this Lease.

8.01.C. 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 within thirty-five (35) days after written notice of default thereof from Director; provided, however, that where fulfillment of any such promises, covenants, conditions, or agreements requires activity over a period of time, or performance of nonmonetary obligations by a Sublessee, and Lessee has commenced to perform whatever may be required to cure the particular default within such thirty-five (35)-day period, County will not exercise any remedy available to it hereunder so long as Lessee uses reasonable due diligence in continuing to pursue the performance of whatever may be required to cure the default.

8.01.D. 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 at any one time after written notice from Director calling attention to such abandonment, except when prevented

by fire, earthquake, strikes, or other similar conditions beyond Lessee's control.

8.02. Limitation on Events of Default. With the exception of Lessee's failure to substantially commence construction of a Luxury, First-Class hotel as provided in Sections 4.08.A, 4.09 and 4.10, Lessee shall not be considered in default as to any provisions 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 reasonable due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree or in attempting to remedy such other circumstances preventing its performance.

8.03. Remedies. Subject to any contrary provisions in Article 9 on Mortgagee Protection and Section 10.05, upon the occurrence of an Event of Default, County shall have the following remedies only:

8.03.A. Terminate Lease. 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 paragraph 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 Section 8.04, or from Lessee's obligation to remove improvements in accordance with Article 7.

8.03.B. Keep Lease in Effect. Without terminating this Lease, so long as County does not deprive Lessee of legal possession of the Premises, 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 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.

8.03.C. Termination Following Continuance. Even though it may have kept this Lease in effect pursuant to subsection 8.03.B, 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 8.02, hereof.

8.03.D. Special Limitation of Remedies. If County's right to Defined Net Transfer Proceeds ceases by reason of subsection 5.11.G, then County's exclusive remedy shall be the termination of this Lease under subsection 8.03.A combined with the damages allowed by Section 8.04.

8.04. Damages. Should County elect to terminate this Lease under the provisions of Section 8.03.A, 8.03.C or 8.03.D, County shall be entitled to recover from Lessee as damages:

8.04.A. 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;

8.04.B. 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

8.04.C. Other Amounts.

The amounts necessary to compensate County for the sums and other obligations which under the terms of this

Lease become due upon or as a result of the expiration or sooner termination of this Lease, but not for recurring obligations arising after the date Lessee surrenders possession. By way of example rather than limitation, those amounts would include 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 as provided in Section 7.03.A, attorney's fees, court costs, Administrative Transfer Fees and Defined Net Transfer and Refinancing Proceeds, but would not include any amount designed to compensate County for the loss of rent, taxes or utilities for the period following Lessee's surrender of possession, costs of repairs to the Premises or the costs of reletting.

"The worth, at the time of the award," as used in subsections A and B of this Section 8.04, is to be computed by allowing interest at the Adjustment Interest Rate.

8.05. County's Right to Cure Lessee's Default.

County, at any time after Lessee commits a default, can cure the default at Lessee's cost. If County at any time, by reason of Lessee's default, pays any sum, the sum paid by County shall be due immediately from Lessee to County at the time the sum is paid. To the extent practicable, County shall give any Approved Encumbrance Holders the reasonable

opportunity to cure Lessee's default prior to County's cure herein.

8.06. In Event of Termination, County Acquires Appurtenant Rights. As more fully provided in Section 3.08, in the event of a termination of this Lease prior to its stated expiration date, County shall be entitled to use of the boat slips on the terms set forth herein.

ARTICLE 9. MORTGAGEE PROTECTION.

9.01. Right to Cure Lessee Default. The holder or owner of the Major Sublease (the "Major Sublessee") or any trustee, beneficiary, mortgagee, or lender under a deed of trust, mortgage, or similar security instrument of the Lessee or Major Sublessee to which County has given its consent pursuant to Article 10 (hereinafter referred to individually and collectively as an "Encumbrance Holder" or an "Approved Encumbrance Holder") shall have the right at any time during the term of its encumbrance or sublease, and while this Lease is in full force and effect, to do any act or thing required of Lessee in order to prevent a termination of Lessee's rights hereunder, and all such acts or things so done shall prevent a termination of Lessee's rights hereunder the same as if done by Lessee.

9.02. Rights Contained in Approved Encumbrance. An Encumbrance Holder shall also have all the rights with

respect to the Premises as set forth in the deed of trust, mortgage, or other lending instrument consented to by the County in accordance with Article 10, including the right to commence an action against the Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said deed of trust, mortgage, or other lending instrument.

9.03. Delay in Exercising Termination Remedy. County shall not exercise any remedy available upon the occurrence of an Event of Default unless it shall first have given written notice of such default to each and every Encumbrance Holder and the Major Sublessee as provided herein, where the Event of Default is one for which notice is required to be given to Lessee pursuant to Section 8.01. Such notice shall be sent by registered mail simultaneously with the notice or notices to Lessee referred to in Section 8.01 above, to each such Encumbrance Holder and the Major Sublessee addressed as shown on the applicable deed of trust, mortgage, or security instrument, or as Director shall otherwise be instructed in writing by such Encumbrance Holder and the Major Sublessee. An Encumbrance Holder and the 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.

9.03.A. Manner of Mortgagee Curing Default.

Curable Events of Default may be cured by an Encumbrance Holder or the Major Sublessee in the following manner:

(1) If the Event of Default be 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 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 any such payment by an Encumbrance Holder or the Major Sublessee, the Lessee pays the same or any part thereof to County, County shall promptly refund said payment to such Encumbrance Holder or the Major Sublessee.

(2) If the Event of Default cannot be cured by the payment of money as aforesaid, but is otherwise curable, the default shall be cured:

(a) If an Encumbrance Holder or Major Sublessee cures, remedies and corrects the default within ten (10) days after the termination of Lessee's cure period as provided in subsection 8.01.C; provided, however, if curing of such default requires activity over a period of time,

such default may be cured if within said ten (10) days an Encumbrance Holder or the Major Sublessee commences and thereafter continues to use reasonable due diligence to perform whatever may be required to cure the particular default; in the event that the Lessee commences to cure such a default within Lessee's thirty-five (35)-day period and thereafter fails or ceases to pursue the cure with reasonable due diligence, the Encumbrance Holder's and Major Sublessee's ten (10)-day period shall commence upon the later of the end of Lessee's thirty-five (35)-day period or the date upon which County notifies the Encumbrance Holder and Major Sublessee that Lessee has failed or ceased to cure the default with reasonable due diligence; or

(b) With respect to an Encumbrance Holder alone, and not the Major Sublessee, if during said ten (10) days the Encumbrance Holder notifies Director of its intent to commence foreclosure, and within sixty (60) days after the mailing of said notice of default, said Encumbrance Holder, (i) actually commences foreclosure proceedings by filing a notice of default or by filing a complaint for judicial foreclosure and prosecutes the same thereafter with reasonable due diligence, said sixty (60)-day period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said

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Encumbrance Holder is prevented from commencing foreclosure 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 said order, judgment or decree, said sixty (60)-day period shall be extended by the time necessary to obtain the release from or reversal of said order, judgment or decree and thereafter to complete such foreclosure proceedings. Within thirty-five (35) days after such foreclosure sale and the vesting of title free of redemption 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 reasonable due diligence the performance of the thing or work required to be done to cure, correct, and remedy said default.

9.03.B. Failure to Substantially Commence Is Not Curable. The failure of Lessee to Substantially Commence construction of a Luxury, First-Class hotel as provided in Sections 4.08.A, 4.09 and 4.10 is not a default which is curable by an Encumbrance Holder or the Major Sublessee, and is a default for which no right to cure exists in favor of any Encumbrance Holder, Major Sublessee or any other party. No Encumbrance Holder, Major Sublessee or other party shall

have any right to prevent termination due to the failure of Lessee to Substantially Commence construction of a Luxury, First-Class hotel in accordance with Sections 4.08.A, 4.09 and 4.10.

9.03.C. Other Noncurable Defaults. Except as otherwise provided in subsection 9.03.B, if a particular Event of Default is impossible to cure, the Encumbrance Holder shall not be obligated to cure the default.

ARTICLE 10. SUBLEASES, ASSIGNMENTS, TRUST DEED
BENEFICIARIES, MORTGAGEES AND SUCCESSORS.

10.01. Subleases.

10.01.A. Definition. The term "Sublease" shall mean any lease, license, permit, concession or other interest in the Premises, a right to use the Premises or a portion thereof, which is conveyed by Lessee to a third party, and which constitutes less than the unrestricted conveyance of the entire Lessee's interest under this Lease. "Commercial Subleases" shall mean Subleases under which the Sublessee is engaging in any activity conducted on the leasehold by the Sublessee which generates Gross Receipts as defined in subsection 5.05.F of this Lease. A "Sublessee" shall be the person or entity to whom such right to use is conveyed by a Sublease.

10.01.B. Approval Required. At least thirty (30) days prior to the proposed effective date of any Commercial Sublease or of any amendment or assignment of an existing Commercial Sublease, Lessee shall submit a copy of the Commercial Sublease, amendment or assignment to Director for approval, which approval shall not be unreasonably withheld. Without limiting the generality of the foregoing, it shall not be unreasonable for the Director to disapprove any Commercial Sublease, amendment or assignment which conflicts with the terms of this Lease, or to disapprove any sublease to a party whom County could disapprove under subsection 10.03.B if such party were a proposed assignee. To the extent practical, Director shall approve or disapprove said proposed Commercial Sublease, amendment or assignment within thirty (30) days of receipt thereof.

In no event, however, shall any such Commercial Sublease, amendment or assignment be made or become effective without the prior approval of Director. Each such Commercial Sublease shall specifically provide that the Sublessee shall comply with all the terms, covenants, and conditions of this Lease.

10.01.C. Additional Improvements; Major Sublease.

The right to operate and the actual operation of a hotel on the Premises is a Commercial Sublease. Until such time as

the Luxury, First-Class hotel has been constructed in accordance with the Lease, and operated continuously for a period of not less than sixty (60) days, the Premises shall be subleased to and operated by only a Luxury, First-Class Hotel Operator. In light of the inherent detailed nature of a hotel lease, Lessee shall submit a copy of any proposed Major Sublease, or any subsublease or any other document pursuant to which an interest is 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.

10.01.D. Certain Small Craft Berth Subleases. A sublease of one (1) or more small craft berths for use in connection with a commercial activity, entered into with a Sublessee which does not maintain a business office within Marina del Rey Small Craft Harbor, may provide for the reporting of Gross Receipts and the payment of Percentage Rents incident thereto pursuant to the provisions of Section 5.05 directly to County by said Sublessee and, upon approval thereof by Director, Lessee shall be excused from the performance of obligations incident to said reporting and payments as prescribed by said Section 5.05.

10.02. Encumbrances. Lessee may, with the prior written consent of the County, which shall not be unreasonably

withheld, and subject to any specific conditions imposed by County, which shall be in accordance with standard commercial practices and shall not be unreasonably imposed, give, assign, transfer, mortgage, hypothecate, grant control of, or encumber all or a specific portion of Lessee's interest under this Lease and the leasehold estate so created to a Lender on the security of the leasehold estate. It shall be reasonable for County to consider the same types of factors set forth in subsection 10.03.B, below, with respect to the proposed financing and the proposed Encumbrance Holder. One (1) copy of any and all security devices or instruments as finally executed and recorded by the parties 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 the Major Sublessee's interest under the Major Sublease.

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

(1) A transfer of this Lease or the Major Sublease at a foreclosure sale of trust deed or at a judicial foreclosure or voluntary conveyance to the Encumbrance Holder in lieu thereof; or

(2) A subsequent transfer of the Lease or the 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 or the Major Sublease.

10.02.B. Effect of Foreclosure. In the event of a transfer under subsection 10.02.A, 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.

(1) Except as otherwise provided in subsection 9.03.C, any transferee under the provisions of subsection 10.02.A(1) shall be liable to perform the full obligations of the Lessee under this Lease until a subsequent transfer of the Lease but not thereafter.

(2) Except as otherwise provided in subsection 9.03.C, any subsequent transferee under the provisions of subsection 10.02.A(2) shall be liable to perform the full obligations of the 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.

10.03. Assignments. Except as specifically hereinbefore provided in this Article 10, Lessee shall not, without the prior written consent of County, either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein, or sublet the whole or any portion of the Premises, or license the use of the same in whole or in part. Any Change in 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 change in one or more general partners in a Lessee which is a limited partnership, except (a) by death of a general partner and his replacement by a vote of the limited partners or by the remaining general partners, or (b) if any general partner owning more than 50% of the interests of the partnership acquires the interest of another general partner owning 15% of the interests in the partnership; (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 which owns the leasehold. These same limitations and approval requirements shall apply with respect to the Sublessee's interest under a Major Sublease.

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10.03.A. Limitation on Permissible Assignees.

Until a Luxury, First-Class hotel has been constructed on the Premises in accordance with this Lease and has been operated continuously for a period of not less than sixty (60) days, this Lease may be assigned only to a Luxury, First-Class Hotel Operator.

10.03.B. Approval Not Unreasonably Withheld After Time Period of Section 10.03.A. After the expiration of the time period in subsection 10.03.A, County shall not unreasonably withhold its approval of a proposed assignee. It shall not be unreasonable for County to consider the following in deciding whether to approve or disapprove a proposed assignment: ^① the financial condition of the proposed assignee; ^② the financial terms to the extent, if any, that they may affect the efficient operation or management of the Premises; ^③ or any adverse impact on the Marina del Rey area that may result from the reputation of the proposed assignee; ^④ or the proposed assignee's manager, of the Premises; or any of the foregoing. County may ^⑤ also consider other reasonable factors.

10.03.C. Involuntary Transfers Prohibited.

Except as otherwise specifically provided in this Lease, neither this Lease nor any interest therein shall be assignable or transferable in proceedings in attachment,

garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

10.03.D. Procedure. Requests for approval of any proposed assignment shall be processed in accordance with the procedures set forth in the Director's Policy Statements relating thereto which may be in effect from time to time.

10.04. Terms Binding Upon Successors 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 the Lessee hereunder shall be binding upon the heirs, executors, administrators, successors, and assigns of the Lessee, and all rights, privileges and benefits arising under this Lease in favor of the 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 on or after the effective date of such assignment, provided the assignee assumes all of such liability. Provided, further,

the assignor shall not be relieved of any liability for the payment of the Administrative Transfer Fee or the required portion of Defined Net Transfer Proceeds which arise upon such assignment as provided herein.

10.05. Nondisturbance. Notwithstanding any early termination of this Lease by reason of the default of Lessee, or any purported surrender hereof or voluntary termination or cancellation hereof not joined in by the Major Sublessee and its approved Encumbrance Holder(s), Sublessees (which term shall include the Major Sublessee) whose remaining sublease term, including rights to extend, is less than three (3) years, and those Sublessees to whom the benefits of this Section 10.05 were expressly given by County at the time of approving its Sublease (which benefits shall not be unreasonably withheld by County) shall be entitled to remain in possession of the portion of the Premises affected by their Sublease in accordance with the terms and conditions of their Sublease provided all of the following have been met: the Sublease is one which has been approved by the Director; the person or entity claiming the Sublessee's rights under this section acquired its interest in a transaction where the Administrative Transfer Fee was paid, if any Administrative Transfer Fee was required; the Sublessee agrees in writing to attorn to and recognize County as Landlord under

such Sublease; the Sublessee is not then in default under the terms and conditions of the Sublease, but only if the cure period for such default has expired; and, the Sublessee and County agree to execute any documents reasonably requested by the other in order to further document the terms of such Sublessee's continued occupation of a portion of the Premises. County shall be entitled to consider the potential impact of the financial terms of such Sublease in determining whether or not to extend the benefits of this section, as well as any other reasonable factors. In such case, such Sublessee shall have the same rights and obligations under its Sublease as he or she would have had if the Lessee had remained in possession. If County fails to give the benefit of this Section 10.05 to a Sublessee, County must inform Lessee of its reasons for such failure. The benefits of this section shall also be extended to the Encumbrance Holder of the Major Sublessee and to such Encumbrance Holder's successors in interest and transferees.

ARTICLE 11. INSURANCE AND INDEMNITY.

11.01. Property Insurance. Throughout the term of this Lease and during Lessee's occupancy of the Premises, Lessee, at its own cost and expense, shall insure against loss of or damage to all buildings, structures, equipment, and improvements thereon, resulting from fire, lightning,

vandalism, malicious mischief, and those risks ordinarily defined in "All-Risk coverage." The policy shall also contain "business interruption" or continuous operation coverage payable to County equal to one (1) year's Minimum Annual Rent. During periods of substantial construction on the Premises, Lessee will provide completed value builder's risk insurance, together with (i) broad form liability, xcu and breach of warranty coverages by endorsement; and (ii) non owned, non hired automotive liability coverage with a policy limit of two (2) million dollars.

11.01.A. Amount of Coverage. Such insurance shall be in an amount equal to ninety percent (90%) of the full replacement value of said buildings, structures, equipment, and improvements, and shall be placed and maintained with such insurance company or companies and in such form as shall be satisfactory to County.

11.01.B. Form of Policy. All such insurance policies, along with their endorsements, shall name the Major Sublessee and County 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 insured as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed. In the event of such loss Lessee shall

be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Section 14.01. Any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

Duplicate policy or policies evidencing such insurance coverage, in such form as shall be acceptable to County, shall be filed with Director prior to the commencement of construction of such improvements, and such policy or policies shall provide that such insurance coverage will not be cancelled or reduced without at least thirty (30) days' prior written notice to Director. At least thirty (30) days prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be filed with Director.

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

11.02. Indemnity. Lessee shall at all times relieve, defend, indemnify, protect, and save harmless County and its Boards, officers, agents, and employees from any and all claims and liability, including expenses and reasonable attorneys' fees of the attorney of County's selection

incurred in defending against the same, for the death of or injury to persons or damage to property, including property owned or controlled by or in the possession of County, any of its officers, agents or employees, that may in whole or in part arise from or be caused by (a) the operation, maintenance, use, or occupation of the Premises by Lessee or its Sublessees, (b) the acts, omissions, or negligence of Lessee, its agents, officers, employees, permittees or Sublessees, or (c) the failure of Lessee 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 Boards, officers, and employees, shall continue during any periods of occupancy or of holding over by Lessee, its agents, officers, employees, or permittees, beyond the expiration or other termination of this Lease.

11.03. 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 and contractual liability coverages with combined bodily injury and property damage liability limits of not less than FIVE MILLION DOLLARS (\$5,000,000); and Lessee agrees that County, its Board

of Supervisors and members thereof, and County's and Board's officers, agents and employees, shall be named as additional insureds under such liability insurance policy or policies.

A duplicate policy evidencing such insurance coverage shall be filed with Director within ten (10) days of the execution of this Lease by County and prior to any entry upon the Premises herein demised, and said policy shall provide that such insurance coverage shall not be cancelled or reduced without at least thirty (30) days' prior written notice to Director. At least thirty (30) days prior to the expiration of any such policy, a policy showing that such insurance coverage has been renewed or extended shall be filed with Director.

The amounts of liability insurance by this Section required shall be subject to renegotiation each fifth (5th) anniversary of the commencement of the term in the same manner as the amounts of rent hereunder. If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding the renegotiation anniversary, the matter shall be resolved by binding arbitration in accordance with Section 16.16.

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

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

11.05. Failure to Procure Insurance. In case of failure on the part of Lessee to procure or renew the herein required insurance, 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, to County upon demand.

11.06. Self Insurance. If it is no longer prudent to obtain the insurance required hereunder in light of the costs payable for the benefits obtained and Lessee adopts a program of self-insurance that is approved by the Director, such approval not to be unreasonably withheld, then Lessee shall not be in breach hereof if it fails to obtain such insurance. Self-insurance shall be deemed to be full coverage in the amounts required by this Lease.

11.06.A. Notice of Intent. Not less than ninety (90) days prior to the expiration date of the existing insurance, Lessee shall notify the Director of its desire to self-insure.

11.06.B. Submission of Program. Not less than seventy (70) days prior to the expiration of the date of the existing insurance, Lessee shall submit to the Director a complete description of its proposed self-insurance program and sufficient supporting data to enable the Director to make an informed evaluation and decision of Lessee's program.

11.06.C. Director's Right to Challenge. The Director shall have the right to challenge Lessee's decision to self-insure by written notice given within forty (40) days after Director's receipt of the data required by subsection 11.06.B, or at any time thereafter.

11.06.D. Right to Place Insurance. If the Director challenges the decision to self-insure or the program of self-insurance, County shall have the right to place the insurance otherwise required by this Lease if Lessee does not otherwise obtain the insurance required under this Lease.

11.06.E. Arbitration. Any challenge under this Section 11.06 shall be resolved by binding arbitration in accordance with Section 16.16. Should County prevail, it shall be entitled to recover the cost of any insurance placed by County as well as all other fees and costs.

ARTICLE 12. 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, 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 by reason of its use or occupancy thereof or otherwise, 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.

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes are the responsibility of 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 subleaseholds 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.

ARTICLE 13. ACCOUNTING.

13.01. Maintenance of Records. In order to determine the amount of and provide for the payment of the rent,

Administrative Transfer Fee, Defined Net Transfer Proceeds and Defined Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees, if any, shall at all times during the term of this Lease, and for twelve (12) 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 seven (7) prior accounting years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry.

13.02. Cash Registers. All 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 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 for his approval, which approval will not be unreasonably withheld.

13.03. 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 the amount payable to County under Section 5.05, and shall accompany same with remittance of amount so shown to be due.

13.04. Availability of Records for Inspector's Audit. Books of account and records hereinabove required shall be kept or made available at the Premises or at such other location as is agreeable to County, and County shall have the right at any and all 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.

13.04.A. Entry by County. County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the term of this Lease 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.

13.04.B. Cost of Audit. In the event Lessee does not make available its original records and books of account at the Premises or within the territorial limits of the County of Los Angeles, Lessee agrees to pay all necessary 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 interest on the amounts due at the Adjustment Interest Rate from the time the payment was first due to the time the payment was made.

13.05. Additional Accounting Methods. County may require the installation of any additional accounting methods or machines which it reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

13.06. Accounting Year; Lease Year. The term "accounting year" as used herein shall mean a period of twelve (12) consecutive calendar months, the first accounting year commencing concurrently with the beginning of the term of this Lease and ending on the last day of the twelfth (12th) calendar month following the beginning of said term; there-

after the "accounting year" shall be each period of twelve (12) consecutive calendar months. The term "lease year" as used in this Lease shall have the same meaning as an "accounting year."

ARTICLE 14. MAINTENANCE AND REPAIR OF PREMISES.

14.01. Lessee's Obligations. Lessee expressly agrees to maintain the Premises and all improvements thereon in a safe, clean, wholesome and sanitary condition, to the reasonable satisfaction of Director and in compliance with all applicable laws. Lessee further agrees to provide proper containers for trash and garbage and to keep the Premises, both land and water areas thereof, free and clear of rubbish and litter. County shall have the right to enter upon and inspect the Premises at any time for cleanliness and safety. Lessee shall also from time to time make any and all necessary repairs to or replacement of any equipment, structure, structures, or other physical improvements, upon the Premises, in order to comply with any and all regulations, laws or ordinances of the State of California, County of Los Angeles, or other governmental body, which may be applicable, or as reasonably required in writing by the Director to Lessee incident to the provisions of this Article 14. Lessee's obligation to maintain and restore is absolute, and is not in any way dependent upon the existence or availabil-

ity of insurance proceeds, except as otherwise provided in this Section 14.01. Restoration shall take place in accordance with the provisions of Sections 4.03 through 4.06, inclusive.

14.01.A. Option to Terminate for Uninsured Casualty. Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the improvements on the Premises where the 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:

(1) No more than fifty (50) 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 Approved Encumbrance Holder 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 Approved Encumbrance Holder in accordance with Section 16.09. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Approved Encumbrance Holder regarding Lessee's desire to terminate this Lease.

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(2) No more than thirty (30) days following the giving of the notice required by subsection 14.01.A(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 above grade improvements on the Premises.

(3) No more than sixty (60) days following the loss, Lessee delivers to County a quitclaim deed to the Premises, in recordable form, terminating the leasehold estate free and clear of any and all Encumbrances and Subleases.

(4) Within ten (10) days following the County's receipt of the notice referred to in subsection 14.01A(1), County has not received both written notice from Lessee's Approved Encumbrance Holder objecting to such termination and an agreement containing an effective assignment of Lessee's interest in this Lease to such Approved Encumbrance Holder whereby such Approved Encumbrance Holder expressly assumes and agrees to be bound by and perform all of Lessee's obligations under this Lease. To be effective, such notice must be sent in accordance with Section 16.09, and must bear the following caption in all capital letters:

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Casualty. Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the improvements on the Premises where the damage or destruction resulted from a cause required to be insured against by this Lease (an "Insured Casualty"), where all of the following occur:

(2) No more than sixty (60) days following the loss, Lessee delivers to County a quitclaim deed to the

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Premises, in recordable form, terminating the leasehold estate free and clear of any and all Encumbrances and Subleases.

(3) Lessee secures the Premises from trespassers; provided, however, Lessee shall be entitled to reimbursement of the cost thereof from the insurance proceeds when received.

(4) The insured loss occurs within the last five (5) years of the term.

14.02. County's Right to Make Repairs. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises.

14.02.A. Repairs Not Performed by Lessee. If Lessee fails to make any repairs or replacements as required, Director may notify Lessee of said default in writing, and should Lessee fail to cure said default and make repairs or replacements within a reasonable time as established by Director, County may make such repairs or replacements and the cost thereof, including, but not limited to, the cost of labor, materials and equipment, shall be charged against Lessee and shall become a part of the rental for the period next following the period of default, or at County's sole discretion, the same may be prorated over a period of time to be determined by County.

14.02.B. Other Repairs. County may, at its own cost and at its sole discretion, do any necessary dredging, filling, grading, slope protecting, construction of sea walls, or repair of water system, sewer facilities, roads, or other County facilities in order to protect the Premises or the adjoining Premises.

14.03. Notice of Damage. Lessee shall give prompt notice to County of any fire or damage that may occur from any cause whatsoever. Lessee shall keep and maintain the Premises and all improvements of any kind which may be erected, installed or made thereon by Lessee in good and substantial repair and condition, including painting, and shall make all necessary repairs and alterations thereto, except as otherwise provided in Section 14.01.

14.04. 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.

ARTICLE 15. CONDEMNATION.

15.01. Definitions.

15.01.A. Condemnation. "Condemnation" means (1) the exercise of any governmental power of eminent domain,

whether by legal proceedings or otherwise, by a condemnor, and (2) a voluntary sale or transfer to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

15.01.B. Date of Taking. "Date of taking" means the date the condemnor has the right to possession of the Premises being condemned.

15.01.C. Award. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

15.01.D. Condemnor. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

15.02. Parties' Rights and Obligations to be Governed by Lease. If, during the term of this Lease, there is any taking of all or any part of the Premises, any improvements on the Premises or any interest in this Lease by condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 15.

15.03. Total Taking. If the Premises are totally taken by condemnation, this Lease shall terminate on the date of taking.

15.04. Effect of Partial Taking. If any portion of the Premises or the improvements thereon are taken by con-

demnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee's continued use. The remaining portion of the Premises shall be deemed unsuitable for Lessee's continued use if, following a reasonable amount of reconstruction, Lessee's business on the Premises could not be operated at an economically feasible level. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the nature and extent of the taking have been finally determined. Such notice shall also specify the date of termination, which shall not be prior to the date of taking. Failure to properly exercise the election provided for in this Section 15.04 will result in this Lease's continuing in full force and effect, except that Minimum Annual Rent shall be abated pursuant to Section 15.05, below.

Lessee, whether or not the Awards or payments, if any, on account of such taking shall be sufficient for the purpose, shall, at its expense, within a reasonable period of time, commence and complete restoration of the remainder of the Premises as nearly as possible to its value, condition and character immediately prior to such taking; provided, however, that in case of a taking for temporary use,

Lessee shall not be required to effect restoration until such taking is terminated.

15.05. Effect of Partial Taking on Rent. If any portion of the Premises is taken by condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken, the Minimum Rent shall be reduced as of the date of taking in the same proportion that the fair market value of the portion of the Premises taken bears to the fair market value of the entire Premises immediately prior to the taking. All other obligations of the Lessee under this Lease shall remain in full force and effect.

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

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

15.07.A. Partial Taking Without Termination. Net Awards and Payments received on account of a taking other than a total taking or a partial taking which results in termination hereof or a taking for temporary use shall be

held by County and applied to pay the cost of restoration of the Premises. The balance, if any, shall be divided between County and Lessee prorata, as nearly as practicable, based upon (1) the then value of County's interest in the Premises (including its interest hereunder) and (2) the then value of Lessee's interest in the remainder of the term of this Lease excluding Bonus Value (for such purposes, the term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 15.04).

In case of a taking other than a total taking or a taking for temporary use, Lessee shall furnish to County evidence satisfactory to County of the total cost of the restoration required by Section 15.04.

15.07.B. Taking For Temporary Use. Net Awards and Payments received on account of a taking for temporary use shall be paid to Lessee; provided, however, that if any portion of any such award or payment is paid by the Condemnor by reason of any damage to or destruction of the improvements, such portion shall be held and applied as provided in the first sentence of subsection 15.07.A, above.

15.07.C. Total Taking and Partial Taking with Termination. Net Awards and Payments received on account of a total taking or a partial taking which results in the termination of this Lease shall be allocated as follows:

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First: There shall be paid to County an amount equal to the present value of all Minimum Rent, Percentage Rent and other sums which would become due until the end of the term of this Lease if it were not for the taking less, in the event of a partial taking, an amount equal to the present value of the fair rental value of the portion of the Premises reverting to County from the date of the termination of this Lease to July 29, 2067;

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

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the term of this Lease, including the value of the ownership interest in and use of the improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 15.04. Lessee shall not be entitled to any compensation based upon the difference between the then fair mar-

ket rent of the Premises and the rent actually being paid pursuant to this Lease ("Bonus Value").

Fourth: The balance shall be paid to County. Any dispute concerning the computation of present value or the determination of the amount of Minimum Annual Rent or Percentage Rent or other sums which would have become due over the term of this Lease which are not resolved by the parties, shall be submitted to arbitration pursuant to Section 16.16 of this Lease.

ARTICLE 16. MISCELLANEOUS.

16.01. 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 of Section 3.07.

16.02. Time. 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.

16.03. County Disclosure and Lessee's Waiver.

16.03.A. Specific Disclosure and Waiver.

(1) Lessee hereby acknowledges that he has been advised that the Premises may consist of hydraulic dredge fill or other fill materials placed over low-lying, marshy ground originally devoted to marginal uses including,

but not necessarily limited to, agriculture, oil refineries, and low-production oil wells. Furthermore, Lessee hereby acknowledges that he has been advised and otherwise has actual knowledge that the Premises in fact cover an old trash dump site.

(2) Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises which may not be actually known to either party at the time of the execution of this Lease and Lessee hereby acknowledges that he is familiar with the contents of any and all maps, engineering plans and soil reports on file in the Department of Beaches and Harbors of County and relating to the Premises and has been afforded an opportunity of examining the same.

(3) Lessee acknowledges that the condition of the land may cause 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 by said conditions or any one of them.

(4) In addition, Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action, rights of rescission, or charges against

County, its officers, agents, or employees 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.

16.03.B. AS-IS. Lessee further acknowledges that it has been in physical possession of the Premises since 1968, and that it accepts the Premises in their AS-IS condition. Lessee acknowledges that the rent provided for in this Lease has been agreed upon in light of Lessee's maintenance and repair obligations, and Lessee hereby waives any and all rights granted by law, if any, for Lessee to make repairs at the expense of County and deduct the cost thereof from the rent.

16.04. Holding Over Creates Month-to-Month Tenancy. If Lessee holds over after the expiration of this Lease for any cause, such holding over shall be deemed to be a tenancy from month-to-month only, at the same rental per month and upon the same terms, conditions, restrictions and provisions as herein contained.

Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

16.05. Waiver of Conditions or Covenants. Except as stated in writing by the Director to the contrary, any waiver by County 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 County 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 County 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 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 to 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. No option, right, power, remedy, or privilege of County shall be construed as being exhausted by the exercise thereof in one or more instances.

16.06. 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.

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

Lessee hereby exempts and agrees to save harmless County from any cost, loss or damage arising out of or caused by any such entry or re-entry upon the Premises and the removal of persons and property and storage of such property by County and its agents.

16.08. Place of Payment and Filing. All rentals shall be paid to and all statements and reports herein required shall be filed with the Department. Checks, drafts, and money orders shall be made payable to the County of Los Angeles.

16.09. 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 16.09. 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 C T 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 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 or, provided in all cases there is a return receipt requested and postage or other delivery charges prepaid, by registered or certified mail, Federal Express or DHL, or such other services as Lessee and Lessor mutually agree upon from time to time and, concurrently, notice shall be delivered in the same manner to Lessee's attorney at the address that Lessee files from time to time, in writing, with Director. 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, or upon the expiration of the fifth (5th) business day after such notice is sent from within the United States in the case of such other method of delivery as authorized in this Section.

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder and the 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 or any Sublessee.

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

COUNTY: Director of Beaches and Harbors
13837 Fiji Way
Marina del Rey, California 90292

LESSEE: William A. MacGillivray
MDP, Ltd.
7200 Hughes Terrace
Room #4C151
M/S CH/C1/A135
El Segundo, California 90245

LESSEE'S ATTORNEY: John E. Kehoe and
Bruce R. Lederman
Latham & Watkins
555 S. Flower St., 46th Floor
Los Angeles, California 90071

16.10. Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable immediately upon demand. If not paid in full within ten (10) days of written demand, the unpaid amounts shall bear interest at the lower of the

Maximum Legal Rate or two percent (2%) per annum above the Agreed Rate, from the date such sums were first advanced, until the time repayment is received.

16.11. 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.

16.12. Attorneys' Fees. In the event of any action or proceeding to enforce this Lease, the prevailing party shall be entitled, in addition to all other relief, to recover its costs and attorneys' fees. In the event County is represented by the County Counsel, the court shall award reasonable attorneys' fees.

16.13. Condition Subsequent; Existing Lenders' Consent. It shall be a condition subsequent that all lenders and master Sublessees presently holding encumbrances or master Subleases on the Property shall either remove their interests from the Property, or be paid in full by Lessee or master Sublessee or execute the consent forms contained below the signature blocks for the County and Lessee. In the event that such payment in full has not been made or all such consents or releases have not been obtained within one hundred eighty (180) days from the date of this Lease then Lessee shall be entitled to an extension of time for up to

an additional one hundred eighty (180) days to pay such lenders in full or obtain consents or releases from such lenders, unless a lender has threatened the County in writing, with any adverse legal consequences as a result of Lessee's failure to pay such lender in full or obtain such lender's consent or release, in which case Lessee shall have sixty (60) days from the later of the end of such first one-hundred eighty (180) day period or the receipt of notice from County to either obtain such consents or releases or to pay such loans in full or to otherwise satisfy such lender. If Lessee does not do so, then, the amendments contained herein shall no longer be effective and the terms of this Lease shall revert to the terms of the Original Lease. By executing such consent, each such Lender and master Sublessee agree to be bound by the terms and provisions of this Lease.

16.14. Amendments. The Director shall have the power to amend this Lease upon agreement with Lessee and any Approved Encumbrance Holders for the following purposes:

16.14.A. To make such changes as Director shall determine, in his sole discretion, as are needed in order to enable Lessee or the Major Sublessee to obtain financing or refinancing; or

16.14.B. To make such changes as Director shall determine, in his sole discretion, as are necessary or desirable and do not constitute a material change in the terms of this Lease. The Director's failure to agree to a change in this Lease pursuant to the provisions of this Section 16.14 shall not be deemed to constitute Unreasonable County Activity.

16.15. Time For Approvals. Except where a different time period is specifically provided for in this Lease, whenever in this Lease the approval of the County in its capacity as Lessor, Director and/or Design Control Board is required, approval or disapproval shall be given by County within thirty (30) days from the date of the receipt for the request for approval, and approval shall be deemed given unless prior to such thirty (30) days County either (a) disapproves such request, or (b) notifies Lessee that it is not reasonably possible to complete such review within the thirty (30)-day period, provides a brief statement as to the reasons therefor, and provides a final date for approval or disapproval by County (the "Extended Time"). If County does not act within such Extended Time, the approval shall be deemed given. The time limits in this Section 16.15 shall not apply unless the particular approval is requested upon a

written notice sent in accordance with Section 16.09 which bears the following caption in all capital letters:

"NOTICE. THIS IS A NOTICE UNDER SECTIONS 16.09 AND 16.15 OF THE AMENDED AND RESTATED LEASE ON PARCEL 125R HOTEL PARCEL, MARINA DEL REY, AND YOUR RIGHT TO DISAPPROVE WILL BE LOST IF YOU FAIL TO RESPOND WITHIN THIRTY (30) DAYS FROM THE DATE OF RECEIPT OF THIS NOTICE.

16.16. Arbitration. Matters to be resolved by binding arbitration under the various provisions of this Lease specifically providing for arbitration shall be governed by the then existing provisions of the California Arbitration Act as contained in Title 9 of Part III of the California Code of Civil Procedure commencing with Section 1280, and its successor provisions, as modified by this Section 16.16.

16.16.A. Statements of Position. Within fifteen (15) days following the expiration of the thirty (30)-day or other period specified in such Sections for reaching agreement on the particular matter, each party shall deliver to the other a written Statement of Position setting forth in detail that party's final position regarding the matter in dispute.

(1) Where the dispute involves rent to be charged, or prices to be allowed, the Statements shall set forth all rents and prices.

(2) If the dispute relates to Unreasonable County Activity or delays under subsection 4.08.B or Section 4.09, the Statements shall set forth the party's position regarding the existence of the Unreasonable County Activity or delay, where appropriate, and the length of the delay.

(3) If the dispute relates to Eligible Costs, the Statements shall set forth the amount of each cost which the party believes should be allowed or disallowed.

If either party fails to so deliver its Statement of Position, then the other party's Statement of Position shall be binding as to the matters contained therein.

16.16.B. Arbitrators. The parties shall attempt to agree upon a single arbitrator who shall decide the matter. At the request of either party, however, there shall be a panel of three (3) arbitrators. The arbitrator(s) shall be selected from a list of retired judges who have agreed to resolve civil disputes, and/or from attorneys or other professionals having real estate experience. If the parties cannot agree upon the arbitrator(s), the arbitrator(s) shall be appointed upon petition of either party to Superior Court of the State of California, in and for the County of Los Angeles. Absent agreement of the parties, where there are to be three (3) arbitrators, the Court shall

designate which of the arbitrators shall head the panel and have the powers described in the California Arbitration Act.

16.16.C. Decision Must Conform to Statement of Position. The arbitrator(s) shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator(s) shall instead choose whichever of the two (2) Statements of Position the arbitrator(s) believe(s) most closely reflects the appropriate resolution of the rent, cost, delay or other matter in dispute. The Statement of Position so chosen shall be final and binding upon the parties, absent fraud or gross error on the part of the arbitrator(s).

16.16.D. Powers of Arbitrator(s). The arbitrator(s) shall have the right to consult experts and competent authorities with factual information or evidence pertaining to a determination of the dispute, but any such consultation shall be made in the presence of both parties and their representatives, with full right in each party to cross-examine. Each party shall have the right to subpoena documents and employees or experts of the other party and shall have the opportunity to present evidence as to the merits of his Statement of Position at the same hearing and shall have the right to cross-examine evidence presented by the other party. Notwithstanding the foregoing, with

respect to a rent renegotiation under Section 5.08.F, the arbitrator(s) shall not consider properties other than the Premises and those properties specified by the notices sent under subsections 5.08.E(1) and 5.08.E(2).

16.16.E. No Discovery. The provisions of Code of Civil Procedure Section 1283.05 relating to discovery, and its successor provisions, shall not apply to the arbitration proceedings.

16.16.F. Costs of Arbitration. The costs of the arbitration, including, but not limited to, experts' fees, witnesses' fees and attorneys' fees, shall be borne by the party whose Statement of Position was not chosen by the arbitrator.

16.16.G. Impact of Fraud, Gross Error Allegations. Where either party has charged the arbitrator(s) with fraud or gross error, the arbitration process shall nonetheless continue through completion and the decision shall be implemented, except as otherwise provided in this subsection 16.16.G.

(1) The decision shall not be implemented if, prior to the rendering of the decision, the charging party has obtained a final judgment of a court of competent jurisdiction stating that the arbitrator or the group of arbitrators was guilty of fraud or gross error ("Disquali-

fication Judgment"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.16.

(2) If the fraud or gross error is charged in an arbitration regarding Unreasonable County Activity under Section 4.09.B, then that decision shall not be implemented until the earlier of: a final judgment of a court of competent jurisdiction that there was no fraud or gross error or that the challenged decision was correct; an identical decision by a new arbitrator or group of arbitrators which has not also been challenged for fraud or gross error. Once fraud or gross error has been alleged regarding such Unreasonable County Activity, a new arbitrator or group of arbitrators shall be appointed immediately and shall determine the matter in accordance with this Section 16.16.

Nothing in this subsection 16.16.G shall operate to extend the time by which Substantial Commencement must occur should the arbitrator(s) not be found guilty of fraud or gross error. The party alleging fraud or gross error shall have the burden of proof, and shall reimburse, except where a Disqualification Judgment is obtained, the arbitrator for all costs, attorneys' fees and other expenses incurred in defending himself.

(3) Such arbitration shall be conducted as expeditiously as reasonably possible.

16.17. Estoppel Certificates. Each party agrees to execute, within ten (10) business days of the receipt of a written request therefor from the other party, a certificate stating: that the Lease is in full force and effect and is unmodified (or stating the contrary, if true); that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease (or stating the grounds for default if such be the case). Prospective purchasers and lenders may rely on such statements.

16.18. Memorandum of Lease. Concurrently with the execution of this Lease, the parties shall execute and record in the office of the Los Angeles County Recorder the Memorandum of Lease, a copy of which is attached hereto and incorporated herein as Exhibit I.

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

16.20. Additional Condition Subsequent. As referred to in Article 1 hereof, one of the purposes of this Amended and Restated Lease is to facilitate the financing and con-

struction of a Luxury, First-Class hotel and related buildings. In order to do so, this Lease has been created as a separate lease from the Original Lease. If the creation of this Lease as a separate lease, or the creation of a separate lease parcel as a result thereof, is subsequently found by a court of competent jurisdiction, pursuant to a decision which is not subject to appeal (a "Final Decision"), to violate any applicable local or state law or regulation relating to the division or use of land, then the parties hereto agree as follows:

16.20.A. This Lease shall be terminated and the provisions contained herein shall be deemed incorporated in full in the Improved Parcel Lease as a new Article XVIII of such Improved Parcel Lease immediately upon the filing of such Final Decision without any further action of the parties hereto being required.

16.20.B. The new Article XVIII shall apply only to the Premises, as defined in this Lease, and shall have no effect on any remaining portion of the Property.

16.20.C. This condition subsequent and the resulting incorporation of this Lease into the Improved Parcel Lease, if it should occur, shall not decrease any of the County's rights set forth in this Lease in any way with respect to the Premises or Property. To the extent that the

incorporation of the provisions of this Lease into the Improved Parcel Lease would otherwise cause any such decrease in the County's rights, the provision(s) causing such decrease shall either be deemed modified to prevent such decrease in the County's rights or, if such modification is not possible, then the provision(s) shall be deemed eliminated or severed from such Article XVIII, to the extent necessary to prevent any decrease in the County's rights.

16.20.D. By way of example only, this condition subsequent shall not have any effect on, or in any way modify, the County's rights to terminate Lessee's rights to the Premises as set forth in Sections 4.08.A, 4.09 and 4.10 if a Luxury, First-Class hotel is not constructed within the time periods set forth therein and the County's rights to Administrative Transfer Fees or Defined Net Transfer Proceeds, which rights shall remain absolute and not subject to any modification whatsoever as a result of this Section 16.20 or the implementation thereof.

16.20.E. The Five (5) Year Period set forth in Section 4.08.A shall not be extended for more than two years from such Five (5) Year Period as a result of any Final Decision.

16.20.F. If this condition subsequent occurs, Lessee and County agree, as part of the hotel development

process, that Lessee will seek, and use its best reasonable efforts to obtain, such approvals as have been determined by the Final Decision to be necessary to comply with applicable local or state laws or regulations in order that the provisions contained in this Lease will again be the subject of two separate leases and the underlying property will consist of two separate lease parcels and, if such approvals are obtained, to cause two separate leases to again be created. County agrees to cooperate with Lessee in this regard.

16.20.G. In addition, if this condition subsequent occurs, Lessee and the County agree that any Major Sublease then in effect shall be deemed a Major Sublease under the Improved Parcel Lease without any further action of the parties hereto being required; that any such change shall not have any effect on the respective rights and obligations of the Major Sublessee and of Lessee under the Major Sublease; and that the Major Sublessee and its Approved Encumbrance Holders shall continue to be entitled to all of the protections and rights set forth in this Lease with respect to the Premises hereunder that they would otherwise have been entitled to if this Lease had remained as a separate Lease.

16.20.H. This Section 16.20 shall automatically terminate and be deleted from this Lease, if not previously

utilized, upon the first to occur of the following: (1) the expiration of the Five (5) Year Period set forth in Section 4.08.A; or (2) the receipt by the County of a written request by Lessee that this Section 16.20 be deleted.

ARTICLE 17. DEFINITION OF TERMS; INTERPRETATION.

17.01. Defined Terms. The following words in this Lease shall have the meaning contained in this Article, unless otherwise apparent from the context:

17.01.A. "ACCOUNTING YEAR" shall have the meaning set forth in Section 13.06.

17.01.B. "ACCRUED RENT" shall have the meaning set forth in Section 5.07.B.

17.01.C. "ADJUSTMENT INTEREST" shall have the meaning set forth in Section 5.08.H(1).

17.01.D. "ADMINISTRATIVE TRANSFER FEE" shall have the meaning set forth in Section 5.09.

17.01.E. "AGGREGATE ACCRUAL" shall have the meaning set forth in Section 5.07.C.

17.01.F. "AGREED RATE" shall have the meaning set forth in Section 5.07.B.

17.01.G. "AGGREGATE CONSTRUCTION COST" shall have the meaning set forth in Section 4.06.D(1).

17.01.H. "AGGREGATE TRANSFER" shall have the meaning set forth in Section 5.09.A.

17.01.I. "AIREA/SREA APPRAISER" shall have the meaning set forth in Section 5.08.B. In the event that the professional organizations referred to in Section 5.08.B cease to exist, an "AIREA/SREA APPRAISER" shall mean a real estate appraiser with memberships in professional organizations possessing the same stature as the AIREA and SREA have as of the commencement of the term.

17.01.J. "APPRAISAL-BASED STATEMENT" shall have the meaning set forth in Section 5.08.G(1).

17.01.K. "APPROVED FINAL PLANS AND SPECIFICATIONS" shall have the meaning set forth in Section 4.06.A.

17.01.L. "AWARD" shall have the meaning set forth in Section 15.01.C.

17.01.M. "BEGINNING INDEX" shall have the meaning set forth in Section 5.06.A.

17.01.N. "BENEFICIAL INTEREST" shall have the meaning set forth in Section 5.09.A.

17.01.O. "BOARD" means the Board of Supervisors for the County of Los Angeles.

17.01.P. "BUSINESS INTERRUPTION" shall have the meaning set forth in Section 11.01.

17.01.Q. "CHANGE IN OWNERSHIP" shall have the meaning set forth in Section 5.09.A.

17.01.R. "COMMENCEMENT OF HOTEL OPERATIONS" shall have the meaning set forth in Section 5.04.

17.01.S. "COMMERCIAL SUBLEASES" shall have the meaning set forth in Section 10.01.A.

17.01.T. "COMMISSION" means the Small Craft Harbor Advisory Commission of the County of Los Angeles.

17.01.U. "CONDEMNATION" shall have the meaning set forth in Section 15.01.A.

17.01.V. "CONDEMNOR" shall have the meaning set forth in Section 15.01.D.

17.01.W. "CONTINGENT PAYMENT NOTE" shall have the meaning set forth in Section 5.11.F.

17.01.X. "COSTS" shall have the meaning set forth in Section 5.10.C.

17.01.Y. "COUNTY" means the County of Los Angeles.

17.01.Z. "CRITERIA FOR ELIGIBILITY FOR EXEMPTION OF BUILDING FUND ASSESSMENTS FROM GROSS RECEIPTS" shall have the meaning set forth in Section 5.05.A(20).

17.01.AA. "CRITERIA FOR ELIGIBILITY FOR EXEMPTION OF SPECIAL ASSESSMENTS FROM GROSS RECEIPTS" shall have the meaning set forth in Section 5.05.A(13).

17.01.BB. "DATE OF TAKING" shall have the meaning set forth in Section 15.01.B.

17.01.CC. "DEFINED NET REFINANCING PROCEEDS" shall have the meaning set forth in Section 5.12.

17.01.DD. "DEFINED NET TRANSFER PROCEEDS" shall have the meanings set forth in Sections 5.11.A and 5.11.B.

17.01.EE. "DEPARTMENT" means the Department of Beaches and Harbors of the County of Los Angeles.

17.01.FF. "DESIGN CONTROL BOARD" means the board appointed by the Board of Supervisors to review and approve the architectural design and arrangement of facilities constructed at Marina del Rey.

17.01.GG. "DIRECTOR" means 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.

17.01.HH. "DISQUALIFICATION JUDGMENT" shall have the meaning set forth in Section 16.16.G.

17.01.II. "DOCUMENTED TRANSACTION COSTS" shall have the meaning set forth in Section 5.11.A(2).

17.01.JJ. "ELIGIBLE COSTS" shall have the meaning set forth in Section 5.11.

17.01.KK. "ENCUMBRANCE HOLDER" or "APPROVED ENCUMBRANCE HOLDER" shall have the meaning set forth in Section 9.01.

17.01.LL. "EVENTS OF DEFAULT" shall have the meaning set forth in Section 8.01.

17.01.MM. "EXCESS PERCENTAGE RENT PAYMENT" shall have the meaning set forth in Section 5.05.B.

17.01.NN. "EXTENDED TIME" shall have the meaning set forth in Section 16.15.

17.01.OO. "FAIR RENTAL VALUE" shall have the meaning set forth in Section 5.08.B.

17.01.PP. "FIVE (5)-YEAR PERIOD" shall have the meaning set forth in Section 4.08.A.

17.01.QQ. "GROSS RECEIPTS" shall have the meaning set forth in Section 5.05.F.

17.01.RR. "IMPROVED PARCEL" shall have the meaning set forth in Section 1.02.

17.01.SS. "IMPROVEMENT COSTS" shall have the meaning set forth in Section 5.11.A(1).

17.01.TT. "INDEX" shall have the meaning set forth in Section 5.06.A.

17.01.UU. "INITIAL HOTEL OWNER" shall have the meaning set forth in Section 5.07.D(3).

17.01.VV. Intentionally deleted.

17.01.WW. "LEASE" shall have the meaning set forth in Section 1.04.

17.01.XX. "LEASE YEAR" shall have the meaning set forth in Section 13.06.

17.01.YY. "LESSEE" shall mean MDP, Ltd., a California corporation and its successors in interest and assigns.

17.01.ZZ. "LESSEE'S RESPONSE PERIOD" shall have the meaning set forth in Section 5.08.E(2).

17.01.AAA. "LUXURY, FIRST-CLASS HOTEL" shall have the meaning set forth in Section 3.01.A.

17.01.BBB. "MAJOR SUBLEASE" shall have the meaning set forth in Section 5.05.C.

17.01.CCC. "MAJOR SUBLESSEE" shall have the meaning set forth in Section 9.01.

17.01.DDD. "MAXIMUM LEGAL RATE" shall have the meaning set forth in Section 5.07.B.

17.01.EEE. "MINIMUM ANNUAL RENT" and "MINIMUM MONTHLY RENT" shall have the meanings set forth in Sections 5.02 and 5.03.

17.01.FFF. "NET AWARDS AND PAYMENTS" shall have the meaning set forth in Section 15.07.

17.01.GGG. "NOTICE OF COMPLETION" shall have the meaning set forth in Section 4.11.G.

17.01.HHH. "OPERATOR OF THE HOTEL" shall have the meaning set forth in Section 5.11.G. A "LUXURY, FIRST-CLASS

HOTEL OPERATOR" means a hotel operator who has the experience described in Section 3.01.A.

17.01.III. **"ORIGINAL LEASE"** shall have the meaning set forth in Section 1.02.

17.01.JJJ. **"PAYMENT BOND"** shall have the meaning set forth in Section 4.06.D(2).

17.01.KKK. **"PERCENTAGE RENTS"** shall have the meaning set forth in Section 5.05.

17.01.LLL. **"PERFORMANCE BOND"** shall have the meaning set forth in Section 4.06.D.

17.01.MMM. **"PERMANENT FINANCING"** shall have the meaning set forth in Section 5.07.D(3).

17.01.NNN. **"PREMISES"** shall have the meaning set forth in Section 1.03.

17.01.OOO. **"PRIMARY USES"** shall have the meaning set forth in Section 3.01.

17.01.PPP. **"PROPERTY"** means the property described in Exhibit A.

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

17.01.RRR. **"PURCHASE MONEY NOTE"** shall have the meaning set forth in Section 5.09.E(3).

17.01.SSS. "RELATED USES" shall have the meaning set forth in Section 3.01.B.

17.01.TTT. "RELEVANT FACTORS" shall have the meaning set forth in Section 5.08.B.

17.01.UUU. "RENEGOTIATION DATE" shall have the meaning set forth in Section 5.08.A.

17.01.VVV. "RENEGOTIATION PERIOD" shall have the meaning set forth in Section 5.08.E(4).

17.01.WWW. "SECTION" means a section of this Lease.

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

17.01.YYY. "START-UP PERIOD" shall have the meaning set forth in Section 5.07.

17.01.ZZZ. "STATEMENT OF POSITION" shall have the meaning set forth in Section 5.08.F.

17.01.AAAA. "SUBLEASE" shall have the meaning set forth in Section 10.01.A.

17.01.BBBB. "SUBLESSEE" shall have the meaning set forth in Section 10.01.A.

17.01.CCCC. "SUBSTANTIAL COMMENCEMENT OF CONSTRUCTION" and "SUBSTANTIALLY COMMENCED" shall have the meaning set forth in Section 4.08.A(1).

17.01.DDDD. "TIME OF THE ESSENCE" shall have the meaning set forth in Section 16.02.

17.01.EEEE. "THE WORTH, AT THE TIME OF THE AWARD," shall have the meaning set forth in Section 8.04.

17.01.FFFF. "UNREASONABLE COUNTY ACTIVITY" shall have the meaning set forth in Section 4.09.B.

17.02. 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 Section 17.01, are to be construed according to such technical, peculiar, and appropriate meaning or definition.

17.03. 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 as well as a natural person.

17.04. 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.

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

17.06. Sublessee Performance. County acknowledges that Lessee may enter into a Master Sublease with respect to the Premises. In such event, Lessee may authorize such Master Sublessee to carry out its development activities and operations and County agrees that, provided Lessee has complied with any other provisions of this Lease relating to assignment or sublease, it will accept performance by such Master Sublessee as if it were performance by Lessee.

17.07. Compliance with Section 25515.1. County and Lessee agree and acknowledge that this Lease satisfies the requirements of Section 25515.1(a)(1) of the California Gov-

ernment Code of "periodic review by the County" as a result of various provisions contained herein.

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

Dated: _____, 19__.

MDP, LTD., a
California corporation

By A. C. May
Vice President

By _____,
Secretary

APPROVED AS TO FORM:

LATHAM & WATKINS

By Paul Tedur

THE COUNTY OF LOS ANGELES

By _____
Chairman, Board of Supervisors

(CORPORATE SEAL)

_____, Clerk of
the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:

DeWITT CLINTON,
County Counsel

By _____

APPROVED AS TO FORM:

MCDONOUGH, HOLLAND & ALLEN

By _____

CONSENT OF LENDERS

Each of the undersigned is the beneficiary of a deed of trust or mortgage on all or some portion of the Property described in Exhibit A. By executing this Lease in the space provided below, we agree to be bound by all of the terms and provisions of this Lease.

By _____

By _____

By _____

CONSENT OF MASTER SUBLESSEES

Each of the undersigned is a master Sublessee of all or some portion of the Property described in Exhibit A. By executing this Lease in the space provided below, we agree to be bound by all of the terms and provisions of this Lease.

By _____

By _____

By _____

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

Parcels 527 and 537 inclusive, 540 to 580 inclusive, and 590 to 631 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.

Excepting therefrom that portion thereof within the following described boundaries:

Beginning at the southwesterly corner of said Parcel 541; thence North 85°59'32" East along the southerly line of said last mentioned parcel a distance of 145.00 feet; thence North 4°00'28" West 179.90 feet to the northwesterly line of said last mentioned parcel; thence North 34°51'37" East along said northwesterly line 25.81 feet to the northerly line of said last mentioned parcel; thence North 85°59'32" East along said northerly line 15.00 feet to the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North 4°32'55" West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence southwesterly and southeasterly along said last mentioned northwesterly line and the southwesterly line of said last mentioned parcel to the most westerly corner of said Parcel 540; thence southeasterly along the southwesterly line of said last mentioned parcel to said northwesterly line of Parcel 541; thence southwesterly along said last mentioned northwesterly line to the point of beginning.

Also excepting therefrom that portion thereof within the following described boundaries:

Beginning at the northeasterly corner of said Parcel 590; thence westerly along the northerly boundary of said last mentioned parcel to a line parallel with and 90 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line 205.31 feet to the southerly line of said Parcel 591; thence North 77°07'44" West along said southerly line to a point distant North 77°07'44" West thereon 100.00 feet from the southeasterly corner of said last mentioned

parcel; thence South $12^{\circ}52'16''$ West to a line parallel with and 80 feet southerly, measured at right angles, from said southerly line; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line 56.73 feet to a line parallel with and 60 feet westerly, measured at right angles, from the easterly line of said Parcel 631; thence South along said last mentioned parallel line 123.09 feet to the southerly line of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned southerly line to the southeasterly corner of said last mentioned parcel; thence North along the easterly lines of said Parcels 631, 591 and 590 a distance of 407.24 feet to the point of beginning.

Together with a right of way for utility purposes in and across said Parcels 590 and 591, within the following described boundaries:

Beginning at the intersection of the northerly boundary of said Parcel 590 with a line parallel with and 5 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line to the northerly line of the southerly 20 feet of said Parcel 591; thence North $77^{\circ}07'44''$ West along said northerly line to the westerly line of the easterly 90 feet of said last mentioned parcel; thence North along said westerly line to the northerly line of the southerly 31 feet of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned northerly line to the westerly line of the easterly 15 feet of said last mentioned parcel; thence northerly along said last mentioned westerly line and its northerly prolongation to said northerly boundary; thence easterly along said northerly boundary to the point of beginning.

Reserving and excepting unto the County of Los Angeles a right of way for fire access, storm drain and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North $4^{\circ}32'55''$ West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence North $52^{\circ}40'22''$ East along said northwesterly line to a line parallel with and 10 feet easterly, measured at right angles, from said center line; thence South $4^{\circ}32'55''$ East along said parallel line to said northerly line; thence South $85^{\circ}59'32''$ West along said northerly line to the point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for storm drain purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of a line parallel with and 10 feet easterly, measured at right angles, from the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map, with the northwesterly line of said Parcel 537; thence North $52^{\circ}40'22''$ East along said northwesterly line to a line parallel with and 26 feet easterly, measured at right angles, from said center line; thence South $4^{\circ}32'55''$ East along said last mentioned parallel line to the southerly line of the northerly 17 feet of said Parcel 541; thence South $85^{\circ}59'32''$ West along said southerly line 36.00 feet; thence North $4^{\circ}00'28''$ West 17.00 feet to the northerly line of said last mentioned parcel; thence North $85^{\circ}59'32''$ East along said northerly line to a line which bears North $4^{\circ}32'55''$ West and which passes through the point of beginning; thence North $4^{\circ}32'55''$ West to said point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for fire access, sanitary sewer and harbor utility purposes in and across the above described parcel of land, within a strip of land 20 feet wide, lying 10 feet on each side of the following described center line:

Commencing at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of said Parcel 605; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the east and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet to the beginning of a reverse curve concave to the west and having a radius of 111.95 feet; thence southerly along said reverse curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 144.49 feet to the southerly line of said Parcel 617.

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer purposes in and across the above described parcel of land, within a strip of land 6 feet wide, lying 3 feet on each side of the following described center line:

Beginning at the intersection of a line parallel with and 7 feet westerly, measured at right angles, from the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map, with a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541; thence North $85^{\circ}59'32''$ East along said last mentioned parallel line 148.60 feet; thence North $4^{\circ}00'28''$ West to a line parallel with and 33 feet northerly, measured at right angles, from the northerly line of said Parcel 547; thence North $85^{\circ}59'32''$ East along said last mentioned parallel line 1272.43 feet.

The side lines of said 6 foot strip of land shall be prolonged or shortened so as to terminate at their points of intersection.

Excepting from said 6 foot strip of land that portion thereof which lies southerly of a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541.

Also excepting from said 6 foot strip of land that portion thereof which lies within the above described 20 foot strip of land for fire access, sanitary sewer and harbor utility purposes.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North $4^{\circ}32'55''$ West along said center line to a line parallel with and 21 feet northerly, measured at right angles, from said northerly line; thence North $85^{\circ}59'32''$ East along said parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of said Parcel 621; thence East along said last mentioned parallel line to a line parallel with and 11 feet northerly, measured at right

angles, from the northerly line of said Parcel 630; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line to the westerly line of the easterly 90 feet of said parcel 591; thence South along said westerly line to the southerly line of said last mentioned parcel; thence westerly along the southerly lines of said Parcels 591, 593, 595, 597, 599, 613 to 619 inclusive, 578, 575, 570, 567, 562, 559, 555, 552, 549, 546, 543 and 540 to the point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for fire alarm purposes in and across the above described parcel of land, within a strip of land 3 feet wide, the northerly boundary of which is described as follows:

Commencing at the easterly terminus of that certain 960 foot radius curve in the northerly boundary of said Parcel 605; thence westerly along said curve and its westerly continuation 30.42 feet to the true point of beginning; thence easterly along said westerly continuation and said certain curve 30.42 feet to said easterly terminus; thence South $72^{\circ}24'01''$ East along the straight line in said northerly boundary and its easterly prolongation 195.23 feet.

Excepting from said 3 foot strip of land that portion thereof which lies within the above described 20 foot strip of land for fire access, sanitary sewer and harbor utility purposes.

EXHIBIT B

LEGAL DESCRIPTION OF THE IMPROVED PARCEL

Parcels 527 and 537 inclusive, 540 to 580 inclusive, and 590 to 631 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.

Together with a right of way for utility purposes in and across said Parcels 590 and 591, within the following described boundaries:

Beginning at the intersection of the northerly boundary of said Parcel 590 with a line parallel with and 5 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line to the northerly line of the southerly 20 feet of said Parcel 591; thence North $77^{\circ}07'44''$ West along said northerly line to the westerly line of the easterly 90 feet of said last mentioned parcel; thence North along said westerly line to the northerly line of the southerly 31 feet of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned northerly line to the westerly line of the easterly 15 feet of said last mentioned parcel; thence northerly along said last mentioned westerly line and its northerly prolongation to said northerly boundary; thence easterly along said northerly boundary to the point of beginning.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across said Parcel 603, 608 and 617, within a strip of land 20 feet wide, lying 10 feet on each side on the following described center line:

Commencing at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of said Parcel 605; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the east and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet to the beginning of a reverse curve concave to the west

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EXHIBIT B

LEGAL DESCRIPTION OF THE IMPROVED PARCEL

Parcels 527 and 537 inclusive, 540 to 580 inclusive, and 590 to 631 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.

Together with a right of way for utility purposes in and across said Parcels 590 and 591, within the following described boundaries:

Beginning at the intersection of the northerly boundary of said Parcel 590 with a line parallel with and 5 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line to the northerly line of the southerly 20 feet of said Parcel 591; thence North 77°07'44" West along said northerly line to the westerly line of the easterly 90 feet of said last mentioned parcel; thence North along said westerly line to the northerly line of the southerly 31 feet of said last mentioned parcel; thence South 77°07'44" East along said last mentioned northerly line to the westerly line of the easterly 15 feet of said last mentioned parcel; thence northerly along said last mentioned westerly line and its northerly prolongation to said northerly boundary; thence easterly along said northerly boundary to the point of beginning.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across said Parcel 603, 608 and 617, within a strip of land 20 feet wide, lying 10 feet on each side on the following described center line:

Beginning at the westerly terminus of that certain course of North 72°24'01" West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South 72°24'01" East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South 4°00'28" East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of 44°03'43" an arc distance of 86.09 feet to the beginning of a reverse curve concave to

the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of 44°03'43" a distance of 26.92 feet; thence South 4°00'28" East tangent to said reverse curve 114.22 feet, more or less, to the southerly line of said Parcel 617;

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across the northerly 5.5 feet of the southerly 11.0 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599.

Excepting from said northerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591.

Excepting therefrom that portion thereof within the following described boundaries:

Beginning at the southwesterly corner of said Parcel 541; thence North 85°59'32" East along the southerly line of said last mentioned parcel a distance of 145.00 feet; thence North 4°00'28" West 179.90 feet to the northwesterly line of said last mentioned parcel; thence North 34°51'37" East along said northwesterly line 25.81 feet to the northerly line of said last mentioned parcel; thence North 85°59'32" East along said northerly line 15.00 feet to the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North 4°32'55" West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence southwesterly and southeasterly along said last mentioned northwesterly line and the southwesterly line of said last mentioned parcel to the most westerly corner of said Parcel 540; thence southeasterly along the southwesterly line of said last mentioned parcel to said northwesterly line of Parcel 541; thence southwesterly along said last mentioned northwesterly line to the point of beginning.

and having a radius of 111.95 feet; thence southerly along said reverse curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 98.03 feet to the southerly line of said Parcel 617.

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across the northerly 5.5 feet of the southerly 11.0 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599.

Excepting from said northerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591.

Excepting therefrom that portion thereof within the following described boundaries:

Beginning at the southwesterly corner of said Parcel 541; thence North $85^{\circ}59'32''$ East along the southerly line of said last mentioned parcel a distance of 145.00 feet; thence North $4^{\circ}00'28''$ West 179.90 feet to the northwesterly line of said last mentioned parcel; thence North $34^{\circ}51'37''$ East along said northwesterly line 25.81 feet to the northerly line of said last mentioned parcel; thence North $85^{\circ}59'32''$ East along said northerly line 15.00 feet to the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North $4^{\circ}32'55''$ West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence southwesterly and southeasterly along said last mentioned northwesterly line and the southwesterly line of said last mentioned parcel to the most westerly corner of said Parcel 540; thence southeasterly along the southwesterly line of said last mentioned parcel to said northwesterly line of Parcel 541; thence southwesterly along said last mentioned northwesterly line to the point of beginning.

Also excepting therefrom that portion thereof

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Also excepting therefrom that portion thereof within the following described boundaries:

Beginning at the northeasterly corner of said Parcel 590; thence westerly along the northerly boundary of said last mentioned parcel to a line parallel with and 90 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line 205.31 feet to the southerly line of said Parcel 591; thence North $77^{\circ}07'44''$ West along said southerly line to a point distant North $77^{\circ}07'44''$ West thereon 100.00 feet from the southeasterly corner of said last mentioned parcel; thence South $12^{\circ}52'16''$ West to a line parallel with and 80 feet southerly, measured at right angles, from said southerly line; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line 56.73 feet to a line parallel with and 60 feet westerly, measured at right angles, from the easterly line of said Parcel 631; thence South along said last mentioned parallel line 123.09 feet to the southerly line of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned southerly line to the southeasterly corner of said last mentioned parcel; thence North along the easterly lines of said Parcels 631, 591 and 590 a distance of 407.24 feet to the point of beginning.

Excepting further therefrom that portion thereof within the following described boundaries:

All of Parcels 592, 594, 596, 598, 600, 601, 602, 609 through 612 inclusive and those portions of Parcels 590, 591, 593, 595, 597, 599, 603, 608, 613, 614, 615, 616, and 617, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessors Map No. 88, filed in Book 1, Pages 53 to 70 inclusive, of Assessor's Maps, in the Office of the Registrar-Recorder of said County, described as a whole as follows:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of

within the following described boundaries:

Beginning at the northeasterly corner of said Parcel 590; thence westerly along the northerly boundary of said last mentioned parcel to a line parallel with and 90 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line 205.31 feet to the southerly line of said Parcel 591; thence North $77^{\circ}07'44''$ West along said southerly line to a point distant North $77^{\circ}07'44''$ West thereon 100.00 feet from the southeasterly corner of said last mentioned parcel; thence South $12^{\circ}52'16''$ West to a line parallel with and 80 feet southerly, measured at right angles, from said southerly line; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line 56.73 feet to a line parallel with and 60 feet westerly, measured at right angles, from the easterly line of said Parcel 631; thence South along said last mentioned parallel line 123.09 feet to the southerly line of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned southerly line to the southeasterly corner of said last mentioned parcel; thence North along the easterly lines of said Parcels 631, 591 and 590 a distance of 407.24 feet to the point of beginning.

Excepting further therefrom that portion thereof within the following described boundaries:

All of Parcels 592, 594, 596, 598, 600, 601, 602, 609 through 612 inclusive and those portions of Parcels 590, 591, 593, 595, 597, 599, 603, 608, 613, 614, 615, 616, and 617, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessors Map No. 88, filed in Book 1, Pages 53 to 70 inclusive, of Assessor's Maps, in the Office of the Registrar-Recorder of said County, described as a whole as follows:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of $44^{\circ}03'43''$ a distance of 26.92 feet; thence South $4^{\circ}00'28''$

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44°03'43" a distance of 26.92 feet; thence South 4°00'28" East tangent to said reverse curve 108.72 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 617; thence easterly along said parallel line and its easterly prolongation East 516.80 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 597; thence easterly along said last mentioned parallel line and its easterly prolongation South 77°07'44" East 317.35 feet to the westerly line of the easterly 90.00 feet of said Parcel 591; thence northerly along said westerly line and its northerly prolongation North 199.68 feet to a point on a curve concave northerly having a radius of 5964.65 feet a radial of said last mentioned curve at said last mentioned point bears South 15°15'08" West, said last mentioned curve also being the southerly line of Admiralty Way, 80 feet wide, as shown on said map; thence northwesterly along said last mentioned curve through a central angle of 2°20'51" an arc distance of 244.38 feet; thence continuing along said southerly line of Admiralty Way North 72°24'01" West 694.32 feet to said true point of beginning.

Reserving and excepting unto the County of Los Angeles a right of way for fire access, storm drain and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North 4°32'55" West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence North 52°40'22" East along said northwesterly line to a line parallel with and 10 feet easterly, measured at right angles, from said center line; thence South 4°32'55" East along said parallel line to said northerly line; thence South 85°59'32" West along said northerly line to the point of beginning.

Reserving and excepting unto the County of Los Angeles a right of way for storm drain purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of a line parallel with and 10 feet easterly, measured at right angles, from the center line of that certain 20 foot easement for fire

East tangent to said reverse curve 108.72 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 617; thence easterly along said parallel line and its easterly prolongation East 516.80 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 597; thence easterly along said last mentioned parallel line and its easterly prolongation South 77°07'44" East 317.35 feet to the westerly line of the easterly 90.00 feet of said Parcel 591; thence northerly along said westerly line and its northerly prolongation North 199.68 feet to a point on a curve concave northerly having a radius of 5964.65 feet a radial of said last mentioned curve at said last mentioned point bears South 15°15'08" West, said last mentioned curve also being the southerly line of Admiralty Way, 80 feet wide, as shown on said map; thence northwesterly along said last mentioned curve through a central angle of 2°20'51" an arc distance of 244.38 feet; thence continuing along said southerly line of Admiralty Way North 72°24'01" West 694.32 feet to said true point of beginning.

Reserving and excepting unto the County of Los Angeles a right of way for fire access, storm drain and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North 4°32'55" West along said center line 173.94 feet to the northwesterly line of said Parcel 537; thence North 52°40'22" East along said northwesterly line to a line parallel with and 10 feet easterly, measured at right angles, from said center line; thence South 4°32'55" East along said parallel line to said northerly line; thence South 85°59'32" West along said northerly line to the point of beginning.

Reserving and excepting unto the County of Los Angeles a right of way for storm drain purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of a line parallel with and 10 feet easterly, measured at right angles, from the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said

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access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map, with the northwesterly line of said Parcel 537; thence North $52^{\circ}40'22''$ East along said northwesterly line to a line parallel with and 26 feet easterly, measured at right angles, from said center line; thence South $4^{\circ}32'55''$ East along said last mentioned parallel line to the southerly line of the northerly 17 feet of said Parcel 541; thence South $85^{\circ}59'32''$ West along said southerly line 36.00 feet; thence North $4^{\circ}00'28''$ West 17.00 feet to the northerly line of said last mentioned parcel; thence North $85^{\circ}59'32''$ East along said northerly line to a line which bears North $4^{\circ}32'55''$ West and which passes through the point of beginning; thence North $4^{\circ}32'55''$ West to said point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for fire access, sanitary sewer and harbor utility purposes in and across the above described parcel of land, within a strip of land 20 feet wide, lying 10 feet on each side of the following described center line:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of $44^{\circ}03'43''$ a distance of 26.92 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 114.22 feet, more or less, to the southerly line of said Parcel 617;

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer purposes in and across the above described parcel of land, within a strip of land 6 feet wide, lying 3 feet on each side of the following described center line:

Parcels 537 and 540, as said center line is shown on said map, with the northwesterly line of said Parcel 537; thence North 52°40'22" East along said northwesterly line to a line parallel with and 26 feet easterly, measured at right angles, from said center line; thence South 4°32'55" East along said last mentioned parallel line to the southerly line of the northerly 17 feet of said Parcel 541; thence South 85°59'32" West along said southerly line 36.00 feet; thence North 4°00'28" West 17.00 feet to the northerly line of said last mentioned parcel; thence North 85°59'32" East along said northerly line to a line which bears North 4°32'55" West and which passes through the point of beginning; thence North 4°32'55" West to said point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for fire access, sanitary sewer and harbor utility purposes in and across the above described parcel of land, within a strip of land 20 feet wide, lying 10 feet on each side of the following described center line:

Commencing at the westerly terminus of that certain course of North 72°24'01" West 75.86 feet in the northerly boundary of said Parcel 605; thence South 72°24'01" East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South 4°00'28" East 201.00 feet to the beginning of a tangent curve concave to the east and having a radius of 111.95 feet; thence southerly along said curve through a central angle of 32°28'16" a distance of 63.45 feet to the beginning of a reverse curve concave to the west and having a radius of 111.95 feet; thence southerly along said reverse curve through a central angle of 32°28'16" a distance of 63.45 feet; thence South 4°00'28" East tangent to said reverse curve 98.03 feet to the southerly line of said Parcel 617.

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer purposes in and across the above described parcel of land, within a strip of land 6 feet wide, lying 3 feet on each side of the following described center line:

Beginning at the intersection of a line parallel

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Beginning at the intersection of a line parallel with and 7 feet westerly, measured at right angles, from the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map, with a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541; thence North 85°59'32" East along said last mentioned parallel line 148.60 feet; thence North 4°00'28" West to a line parallel with and 33 feet northerly, measured at right angles, from the northerly line of said Parcel 547; thence North 85°59'32" East along said last mentioned parallel line 1272.43 feet.

The side lines of said 6 foot strip of land shall be prolonged or shortened so as to terminate at their points of intersection.

Excepting from said 6 foot strip of land that portion thereof which lies southerly of a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541.

Also excepting from said 6 foot strip of land that portion thereof which lies within the above described 20 foot strip of land for fire access, sanitary sewer and harbor utility purposes.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North 4°32'55" West along said center line to a line parallel with and 21 feet northerly, measured at right angles, from said northerly line; thence North 85°59'32" East along said parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of said Parcel 621; thence East along said last mentioned parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of said Parcel 630; thence South 77°07'44" East along said last mentioned parallel line to the westerly line of the easterly 90 feet of said parcel 591; thence South along said westerly line to the southerly

with and 7 feet westerly, measured at right angles, from the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map, with a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541; thence North $85^{\circ}59'32''$ East along said last mentioned parallel line 148.60 feet; thence North $4^{\circ}00'28''$ West to a line parallel with and 33 feet northerly, measured at right angles, from the northerly line of said Parcel 547; thence North $85^{\circ}59'32''$ East along said last mentioned parallel line 1272.43 feet.

The side lines of said 6 foot strip of land shall be prolonged or shortened so as to terminate at their points of intersection.

Excepting from said 6 foot strip of land that portion thereof which lies southerly of a line parallel with and 21 feet northerly, measured at right angles, from the northerly line of said Parcel 541.

Also excepting from said 6 foot strip of land that portion thereof which lies within the above described 20 foot strip of land for fire access, sanitary sewer and harbor utility purposes.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of said Parcel 541 with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in said Parcels 537 and 540, as said center line is shown on said map; thence North $4^{\circ}32'55''$ West along said center line to a line parallel with and 21 feet northerly, measured at right angles, from said northerly line; thence North $85^{\circ}59'32''$ East along said parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of said Parcel 621; thence East along said last mentioned parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of said Parcel 630; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line to the westerly line of the easterly 90 feet of said parcel 591; thence South along said westerly line to the southerly line of said last mentioned parcel; thence westerly along

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line of said last mentioned parcel; thence westerly along the southerly lines of said Parcels 591, 593, 595, 597, 599, 613 to 619 inclusive, 578, 575, 570, 567, 562, 559, 555, 552, 549, 546, 543 and 540 to the point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for fire alarm purposes in and across the above described parcel of land, within a strip of land 3 feet wide, the northerly boundary of which is described as follows:

Commencing at the easterly terminus of that certain 960 foot radius curve in the northerly boundary of said Parcel 605; thence westerly along said curve and its westerly continuation 30.42 feet to the true point of beginning; thence easterly along said westerly continuation and said certain curve 30.42 feet to said easterly terminus; thence South 72°24'01" East along the straight line in said northerly boundary and its easterly prolongation 195.23 feet.

Excepting from said 3 foot strip of land that portion thereof which lies within the above described 20 foot strip of land for fire access, sanitary sewer and harbor utility purposes.

Subject to non-exclusive rights of way for pedestrian and vehicular ingress and egress purposes in and across the above described parcel of land within the westerly 10 feet of the first above described 20 foot strip of land and within the southerly 5.5 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599, excepting from said southerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591, as set forth in the Amended and Restated Lease (Hotel Parcel) being entered into concurrently herewith covering property adjacent to the above described parcel.

DESCRIPTION APPROVED

NOV 12 1961

GEORGE Y. TICE, DIRECTOR

FACILITIES MANAGEMENT DEPARTMENT

BY J. Stanley Sandoz DEPUTY

EXHIBIT C

LEGAL DESCRIPTION OF THE HOTEL PARCEL

All of Parcels 592, 594, 596, 598, 600, 601, 602, 609 through 612 inclusive and those portions of Parcels 590, 591, 593, 595, 597, 599, 603, 608, 613, 614, 615, 616, and 617, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessors Map No. 88, filed in Book 1, Pages 53 to 70 inclusive, of Assessor's Maps, in the Office of the Registrar-Recorder of said County, described as a whole as follows:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of $44^{\circ}03'43''$ a distance of 26.92 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 108.72 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 617; thence easterly along said parallel line and its easterly prolongation East 516.80 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 597; thence easterly along said last mentioned parallel line and its easterly prolongation South $77^{\circ}07'44''$ East 317.35 feet to the westerly line of the easterly 90.00 feet of said Parcel 591; thence northerly along said westerly line and its northerly prolongation North 199.68 feet to a point on a curve concave northerly having a radius of 5964.65 feet, a radial of said last mentioned curve at said last mentioned point bears South $15^{\circ}15'08''$ West, said last mentioned curve also being the southerly line of Admiralty Way, 80 feet wide, as shown on said map; thence northwesterly along said last mentioned curve through a central angle of $2^{\circ}20'51''$ an arc distance of 244.38 feet; thence continuing along said southerly line of Admiralty Way North $72^{\circ}24'01''$ West 694.32 feet to said true point of beginning.

EXHIBIT C

LEGAL DESCRIPTION OF THE HOTEL PARCEL

All of Parcels 592, 594, 596, 598, 600, 601, 602, 609 through 612 inclusive and those portions of Parcels 590, 591, 593, 595, 597, 599, 603, 608, 613, 614, 615, 616, and 617, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessors Map No. 88, filed in Book 1, Pages 53 to 70 inclusive, of Assessor's Maps, in the Office of the Registrar-Recorder of said County, described as a whole as follows:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of $44^{\circ}03'43''$ a distance of 26.92 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 108.72 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 617; thence easterly along said parallel line and its easterly prolongation East 516.80 feet to a line parallel with and distant northerly 5.50 feet, measured at right angles, from the southerly line of said Parcel 597; thence easterly along said last mentioned parallel line and its easterly prolongation South $77^{\circ}07'44''$ East 317.35 feet to the westerly line of the easterly 90.00 feet of said Parcel 591; thence northerly along said westerly line and its northerly prolongation North 199.68 feet to a point on a curve concave northerly having a radius of 5964.65 feet, a radial of said last mentioned curve at said last mentioned point bears South $15^{\circ}15'08''$ West, said last mentioned curve also being the southerly line of Admiralty Way, 80 feet wide, as shown on said map; thence northwesterly along said last mentioned curve through a central angle of $2^{\circ}20'51''$ an arc distance of 244.38 feet; thence continuing along said southerly line of Admiralty Way North $72^{\circ}24'01''$ West 694.32 feet to said true point of beginning.

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Together with a right of way for utility purposes in and across said Parcels 590 and 591, within the following described boundaries:

Beginning at the intersection of the northerly boundary of said Parcel 590 with a line parallel with and 5 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line to the northerly line of the southerly 20 feet of said Parcel 591; thence North $77^{\circ}07'44''$ West along said northerly line to the westerly line of the easterly 90 feet of said last mentioned parcel; thence North along said westerly line to the northerly line of the southerly 31 feet of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned northerly line to the westerly line of the easterly 15 feet of said last mentioned parcel; thence northerly along said last mentioned westerly line and its northerly prolongation to said northerly boundary; thence easterly along said northerly boundary to the point of beginning.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across said Parcel 603, 608 and 617, within a strip of land 20 feet wide, lying 10 feet on each side on the following described center line:

Beginning at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of Parcel 605, as shown on said map; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the East and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $44^{\circ}03'43''$ an arc distance of 86.09 feet to the beginning of a reverse curve concave to the West and having a radius of 35 feet; thence southerly along said reverse curve through a central angle of $44^{\circ}03'43''$ a distance of 26.92 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 114.22 feet, more or less, to the southerly line of said Parcel 617.

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

Together with a right of way for utility purposes in and across said Parcels 590 and 591, within the following described boundaries:

Beginning at the intersection of the northerly boundary of said Parcel 590 with a line parallel with and 5 feet westerly, measured at right angles, from the easterly line of said last mentioned parcel; thence South along said parallel line to the northerly line of the southerly 20 feet of said Parcel 591; thence North $77^{\circ}07'44''$ West along said northerly line to the westerly line of the easterly 90 feet of said last mentioned parcel; thence North along said westerly line to the northerly line of the southerly 31 feet of said last mentioned parcel; thence South $77^{\circ}07'44''$ East along said last mentioned northerly line to the westerly line of the easterly 15 feet of said last mentioned parcel; thence northerly along said last mentioned westerly line and its northerly prolongation to said northerly boundary; thence easterly along said northerly boundary to the point of beginning.

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across said Parcel 603, 608 and 617, within a strip of land 20 feet wide, lying 10 feet on each side on the following described center line:

Commencing at the westerly terminus of that certain course of North $72^{\circ}24'01''$ West 75.86 feet in the northerly boundary of said Parcel 605; thence South $72^{\circ}24'01''$ East along said last mentioned certain course and its easterly prolongation 195.23 feet to the true point of beginning; thence South $4^{\circ}00'28''$ East 201.00 feet to the beginning of a tangent curve concave to the east and having a radius of 111.95 feet; thence southerly along said curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet to the beginning of a reverse curve concave to the west and having a radius of 111.95 feet; thence southerly along said reverse curve through a central angle of $32^{\circ}28'16''$ a distance of 63.45 feet; thence South $4^{\circ}00'28''$ East tangent to said reverse curve 98.03 feet to the southerly line of said Parcel 617.

The side lines of said 20 foot strip of land shall be prolonged or shortened at the beginning thereof so as to terminate in said easterly prolongation and shall be prolonged or shortened at the end thereof so as to terminate in said last mentioned southerly line.

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Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across the southerly 5.5 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599.

Excepting from said southerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591.

Reserving and excepting unto the county of Los Angeles a right of way for fire access, sanitary sewer and harbor utility purposes in and across the above described parcel of land, within a strip of land 20 feet wide, the center line of which is the center line of above described 20 foot strip of land.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of Parcel 541, as shown on said map, with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in Parcels 537 and 540, as shown on said map; thence North $4^{\circ}32'55''$ West along said center line to a line parallel with and 21 feet northerly, measured at right angles, from said northerly line; thence North $85^{\circ}59'32''$ East along said parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of Parcel 621, as shown on said map; thence East along said last mentioned parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of Parcel 630, as shown on said map; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line to the westerly line of the easterly 90 feet of said parcel 591; thence South along said westerly line to the southerly line of said last mentioned parcel; thence westerly along the southerly lines of Parcels 591, 593, 595, 597, 599, 613 to 619 inclusive, 578, 575, 570, 567, 562, 559, 555, 552, 549, 546, 543 and 540, as shown on said map, to the point of beginning.

Subject to non-exclusive rights of way for pedestrian and vehicular ingress and egress purposes in and across the above described parcel of land within the easterly 10 feet of the first above described 20 foot strip

Also together with a non-exclusive right of way for pedestrian and vehicular ingress and egress purposes in and across the southerly 5.5 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599.

Excepting from said southerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591.

Reserving and excepting unto the county of Los Angeles a right of way for fire access, sanitary sewer and harbor utility purposes in and across the above described parcel of land, within a strip of land 20 feet wide, the center line of which is the center line of above described 20 foot strip of land.

Also reserving and excepting unto the County of Los Angeles a right of way for sanitary sewer and harbor utility purposes in and across the above described parcel of land, within the following described boundaries:

Beginning at the intersection of the northerly line of Parcel 541, as shown on said map, with the center line of that certain 20 foot easement for fire access, storm drain and harbor utility purposes, in Parcels 537 and 540, as shown on said map; thence North $4^{\circ}32'55''$ West along said center line to a line parallel with and 21 feet northerly, measured at right angles, from said northerly line; thence North $85^{\circ}59'32''$ East along said parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of Parcel 621, as shown on said map; thence East along said last mentioned parallel line to a line parallel with and 11 feet northerly, measured at right angles, from the northerly line of Parcel 630, as shown on said map; thence South $77^{\circ}07'44''$ East along said last mentioned parallel line to the westerly line of the easterly 90 feet of said parcel 591; thence South along said westerly line to the southerly line of said last mentioned parcel; thence westerly along the southerly lines of Parcels 591, 593, 595, 597, 599, 613 to 619 inclusive, 578, 575, 570, 567, 562, 559, 555, 552, 549, 546, 543 and 540, as shown on said map, to the point of beginning.

Subject to non-exclusive rights of way for pedestrian and vehicular ingress and egress purposes in and across the above described parcel of land within the easterly 10 feet of the first above described 20 foot strip

*replaces
original
9/85*

of land and within the northerly 5.5 feet of the southerly 11.0 feet of said parcels 613 to 617 inclusive, 591, 593, 595, 597 and 599, excepting from said northerly 5.5 feet that portion thereof which lies westerly of the easterly boundary of the above described 20 foot strip of land and that portion thereof which lies within the easterly 90 feet of said parcel 591, as set forth in the Amended and Restated Lease (Improved Parcel) being entered into concurrently herewith covering property adjacent to the above described parcel.

DESCRIPTION APPROVED

NOV 12 1966

GEORGE Y. TICE, DIRECTOR

FACILITIES MANAGEMENT DEPARTMENT

BY D. Stanley Smith DEPUTY

8. Legal fees and expenses directly arising from construction and development process;

9. Costs to obtain permits, zoning permits and variances;

10. Appraisal fees;

11. Title and survey construction update;

12. Recording fees;

13. Project security until the end of construction;

14. Fees for civil and soils engineers and technical consultant (i.e., acoustical and security);

15. Construction inspection and testing fees;

16. Field surveys;

17. CPM scheduling;

18. Permits, fees and assessments associated with the filing and recordation of the various maps, if any, required in connection with required construction;

19. Permits, bonds and fees for all utilities and agencies that have jurisdiction;

20. Utility connection fees and off-site costs;

21. Blueprinting; and

22. Plus an amount equal to ten percent (10%) of all payments made or liabilities incurred included within this Exhibit, such amount deemed to be accruing as each respective item of this Exhibit is paid or incurred.

EXHIBIT E
TRANSACTION COSTS

1. Architectural, engineering and consulting fees and expenses;

2. Legal fees and expenses arising from construction and development process;

3. Appraisal fees;

4. Title and survey construction update;

5. Recording fees;

6. Construction inspection and testing fees;

7. Field surveys;

8. Blueprinting;

9. Loan fees which are charged by the Lender and designated as such; and

10. Processing credit report and other fees incurred in connection with a new loan and charged by the Lender thereof.

EXHIBIT F
EXCERPTED AND RESTATED POLICY STATEMENT NO. 20
AS AMENDED

In reporting Gross Receipts as provided for in Section 5.05, the receipts or income hereinafter listed may not be included so long as Lessee maintains separate accounting of such receipts for inspection by County, and so long as Lessee shall have obtained the prior written approval from the Director where hereinafter provided. The excludable receipts or income are:

1. Receipts from the sale of or trade-in value of any capital assets and fixtures purchased for and used exclusively for the conduct of business on the Premises.

2. The value of merchandise, supplies or equipment exchanged, transferred or returned from or to other locations of business of Lessee where such exchanges, transfers or returns are not made for the purpose of avoiding a sale by Lessee which would otherwise be made from or at the Premises.

3. Cash discounts and receipts in the form of refunds on the value of merchandise, supplies or equipment returned to shippers, suppliers or manufacturers.

4. The cost or value of employee benefits such as meals, living quarters, uniforms, slip rent discounts and receipts from the sale of uniforms or clothing to Lessee's employees where such benefits and/or uniforms or clothing are pursuant to the terms of employment of such employee.

5. The amount of gratuities paid or given by patrons or customers of employees of Lessee except valet parking.

6. Services, goods, rental or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees without the usual charges therefor, provided that any or all of the above are for bona fide promotional purposes and are not given in exchange for services and supplies and provided that the total of such services, goods, rentals or facilities shall not exceed three percent (3%) of gross receipts of any calendar year.

7. Proportionate charges for maintenance of parking areas, advertising and similar activities common to all tenants in shopping center and office developments, and where all tenants participate in the cost of such activities, except that any income to Lessee in excess of actual costs shall be included in Gross Receipts and reported under subsection 5.05.A(3) of the Lease. Written approval of the plan of exceptions must be obtained from Director in advance in order to exclude said income from Gross Receipts.

8. Fees, charges, rentals and other income received by Lessee's maintaining his place of business within the Marina del Rey, from activities unrelated to the Premises and originating or consummated outside the Premises, when approved in advance by the Director in writing. As a condition of giving said approval, Director shall require that Lessee include in his Gross Receipts a fair rental for the use of the Premises devoted to such unrelated activities.

9. The slip income received from the subletting of boat slips by a sublessee who is engaged in the business of boat sales, brokerage, and/or charter where the gross receipts received from the rental of the slips are reported by the master lessee; provided, however, that any slip rental income received by the sublessee in excess of that paid by the sublessee to the master lessee on a 'per slip' basis shall be reported on the form provided by the County by the sublessee as gross receipts under Subsection (1) of Section 5.05.A. The per slip accounting requirement becomes mandatory effective March 1, 1986.

10. Commission or fees collected from commercial boating activities such as charter boat, bare-boat charter, and sport-fishing boat, where the lessee or sublessee conducting the commercial boating activity which generates the commission or fee reports as gross receipts the gross charter rev-

enue of the commercial boating activity at 6% under Subsection (7) of Section 5.05.A.

In order for a lessee to qualify for the above exclusions, it will be necessary that lessee maintain separate accounting of said receipts for inspection by County and obtain prior approval from Director where so provided. In the event of any dispute regarding interpretation or application of any or all of the provisions of this policy statement, the decision of Director shall be final and binding.

EXHIBIT G
PRIMARY USES

1. On site rental facilities for automobiles, limousines, mopeds, bicycles and other forms of transportation.
2. Rentals and concierge services of and relating to boats, boating facilities (including boat slips), boat storage and maintenance equipment, including, without limitation, crewed charters.
3. Parking and garage facilities.
4. Courtesy transportation services.
5. Cab and limousine stands.
6. Athletic and health club facilities.
7. Restaurants, bars, lounges and catering operations.
8. Security services, including safes and vaults, and personal security services.
9. Commercial retail space, including, without limitation, newsstands, beauty parlors, tobacco concessionaires, drug stores, alcoholic beverage sales, barber shops, speciality shops, clothing stores and retail boutiques.
10. Temporary office and stenographic facilities and services.

11. Guest entertainment, including, without limitation, movies, video facilities, games, television, radios, concerts, seminars, public shows, dances and live performances.
12. Conference facilities.
13. Pool (including pool bar) and tennis courts.
14. Usual concierge services.

EXHIBIT H

EXCERPTED AND RESTATED POLICY STATEMENT NO. 21

AS AMENDED

1. The activities provided for in Subsection (6) of Section 5.05.A of the lease shall include the following:
 - a. Boat Maintenance
 - b. Engine Maintenance
 - c. Electronic Maintenance
 - d. Marine Surveyor
 - e. Boat Pump-out Service
 - f. Security Guard
 - g. Tugboat and Salvage Service
 - h. Valet Parking Service
2. The activities provided for in Subsection (7) of Section 5.05.A of the lease shall include the following and do not include rental of boats which are to be reported under Subsection (2) of Section 5.05.A.
 - a. Voyage and/or Time Charter

Under this category a vessel remains under the control and management of the owner who supplies officers and crew as needed for a specified voyage and/or period of time.

b. Bareboat or Demise Charter

Possession of the vessel is completely turned over to the charterer who mans and navigates the vessel. During the contract the charterer becomes subject to the duties and responsibilities of ownership. The practical effect of the bareboat (demise) charter is to transfer all possession and control of the vessel from the owner to the charterer (lessee) who becomes the owner of the vessel for this one particular voyage or occasion.

c. Sportfishing Boat

Is a "passenger carrying vessel" engaged in the business of carrying "passengers for hire," principally for sportfishing.

3. The activities provided in Subsection (19) of Section 5.05.A shall include the following:

- a. Sales of merchandise unless provided for elsewhere in Section 5.05.A.
- b. Telephone communication system
- c. Cleaning fees
- d. Maid service
- e. Recreation facilities
- f. Secretarial services
- g. Instruction in sports, boating and recreational activities

- h. Health club services
- i. Laundry, dry cleaning and linen services
- j. Decorator services
- k. Car and boat wash
- l. Cable TV
- m. Sale of recreational equipment
- n. Take-out food from facilities established as a
takeout food operation
- o. Advertising revenue
- p. Yacht club racing and cruising events - when col-
lected at a specific time for a specific event.
- q. Movie theater admissions

The Director in approving a related use activity may, however, require that the gross receipts of such activity shall be reported in a specific category other than any of the above, as a condition of said approval.

EXHIBIT I

MEMORANDUM OF LEASE

Recording Requested By:

After Recordation, Return To:

MEMORANDUM OF LEASE
HOTEL PARCEL

This Memorandum of Lease is made by and between the COUNTY OF LOS ANGELES, hereinafter called "County," and MDP, LTD., a California corporation, hereinafter called "Lessee," who agree as follows:

1. County leases to Lessee, and Lessee leases from County, the real property located in the County of Los Angeles, State of California, more particularly described in Exhibit "1" attached hereto and incorporated herein, upon the terms and conditions of that certain Amended and Restated Lease between County and Lessee of even date herewith (the "Lease"), which terms and conditions are incorporated herein by this reference thereto.

2. The term of the Lease expires on July 29, 2067.

3. This Memorandum has been prepared for the purposes of recordation only, and it in no way modifies the terms and conditions of the Lease.

DATED: _____, 1986.

LESSEE:

MDP, LTD.,
a California corporation

By _____

By _____

-AND-

COUNTY:

COUNTY OF LOS ANGELES

By _____
Chairman,
Board of Supervisors

(CORPORATE SEAL)

_____, Clerk of
the Board of Supervisors

By _____
Deputy