

**SECOND  
AMENDED AND RESTATED  
L E A S E**

**[IMPROVED PARCEL]**

**By and Between  
THE COUNTY OF LOS ANGELES  
And  
J. H. SNYDER COMPANY,  
A California Limited Partnership**

**(VOLUME I)**

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SECOND  
AMENDED AND RESTATED  
L E A S E  
[IMPROVED PARCEL]

THIS SECOND AMENDED AND RESTATED LEASE is made by and between the COUNTY OF LOS ANGELES, hereinafter called "County," and J. H. SNYDER COMPANY, A California Limited Partnership, hereinafter called "Lessee," who agree as follows:

ARTICLE 1. BACKGROUND AND GENERAL.

1.01. Property; Improved Parcel; Hotel Parcel.

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, and consists of two (2) parcels, one of which is commonly called the "Improved Parcel," which is more particularly described in Exhibit B attached hereto and incorporated herein, and the other of which is commonly called the "Hotel Parcel," which is more particularly described in Exhibit C attached hereto and incorporated herein.

1.02. Restated Leases. County presently leases the Property to Lessee by means of two (2) separate Amended and Restated Leases, originally executed with Lessee's predecessor in interest, MDP, LTD., a California corporation ("MDP"), as Lessee. Amended and Restated Lease No. 55624 (Improved Parcel), which has since been amended twice (collectively, the "Restated Improved Parcel Lease"),

affects the Improved Parcel, and Amended and Restated Lease No. 55623 (Hotel Parcel), which has also been amended twice (collectively the "Restated Hotel Parcel Lease"), affects the Hotel Parcel and contains some provisions regarding the use of additional boat slips which might be constructed on the Improved Parcel.

1.03. Premises. This Second Amended and Restated Lease affects the Improved Parcel, which is hereinafter called the "Premises."

1.04. Existing Improvements. The Premises contain Improvements consisting of three (3) high-rise towers containing six hundred (600) apartment units, a low-rise promenade with one hundred one (101) apartment units, a club facility, three hundred thirty-eight (338) boat slips, a free-standing restaurant and parking, all of which are collectively hereinafter called the "Improvements." Lessee owns the Improvements in accordance with the terms and provisions of the Restated Improved Parcel Lease.

1.05. Limitations on Condominiums. The Restated Improved Parcel Lease permits Lessee to lease the 600 high rise tower apartments for longer than one (1) year, on a rent-prepaid basis, but precludes Lessee from establishing a condominium regime in connection therewith. Lessee now desires the right to establish a condominium regime and County wishes to provide for that right.

1.06. Purpose; Integration. The purposes of this Second Amended and Restated Lease, which is hereinafter called the "Lease," are to allow Lessee to establish a subleasehold condominium regime on 300 to all 600 of the high-rise apartment units on a long-term prepaid basis (i.e., for the full remaining term), 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 Restated Improved Parcel Lease with respect to the Premises, and together with the written agreements set forth on Exhibit J attached hereto and incorporated herein, constitutes the entire agreement between the parties regarding the leasing of the Premises. There are no conditions, representations or agreements regarding the leasing of the Premises which are not expressed or described in this Lease and such exhibits. This Lease affects only the Premises and has no effect on the Hotel Parcel. The terms and provisions of the Restated Improved Parcel Lease shall continue only to the extent that and with respect to third parties who, by virtue of nondisturbance agreements or otherwise, are unaffected by the amendments contained in this Lease.

1.07. 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 demises to Lessee, and Lessee hereby leases and hires from County, the Premises, for the term, and upon the covenants and conditions set forth herein.

1.08. 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 the Restated Improved Parcel Lease commenced on November 7, 1986. The effective date of the amendments contained in this Lease shall commence upon the date this Lease 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.

2.03. Reference. For ease of reference, the "commencement of the term," as used in this Lease, shall mean the date this Lease is executed by the County.

ARTICLE 3. USE OF PREMISES.

3.01. Primary Uses. The Premises shall be used only and exclusively for an anchorage, apartments, hotel, motel, specialty retail center, offices, restaurants, lounges, banquet facilities, and recreational facilities ("Primary Uses"), and except as specifically otherwise provided herein for no other purpose. If Lessee desires to utilize the Premises for any purposes other than those purposes specifically provided for herein, it must obtain County's written permission to do so and must obtain, at its expense, all permits, licenses and other approvals required by law for such other purposes.

3.01.A. Long-Term Residential Use. As more specifically provided in Article 10 of this Lease, Lessee shall be entitled, for the remainder of the term of this Lease, to enter Subleases for the residential use of the six hundred (600) high-rise apartment units which are more particularly described and shown on that certain "Marina City Towers Real Estate Improvement Apartment Plan," which was recorded as Exhibit C to that certain Fictitious Prepaid Sublease Form in the Office of the County Recorder of Los Angeles County on June 30, 1987, as Instrument No. [87-1042428], and to establish a subleasehold

condominium regime on some or all of such apartments. That recorded plan is hereinafter called the "Apartment Plan," and the six hundred (600) apartments shown thereon are hereinafter called the "Apartments Approved for Prepaid Subleases." A copy of the Apartment Plan is attached hereto and incorporated herein as Exhibit E.

3.01.B. Anchorage. Lessee shall continue to maintain and operate an anchorage facility containing no fewer than three hundred thirty-eight (338) boat slips, together with appropriate landside restroom and parking facilities of a quantity and quality no less than that which presently exists on the Premises. The facilities containing any such boat slips shall comply with County's existing requirements for adjacent restroom, parking and other landside facilities.

3.01.C. 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 County's Director of Beaches and Harbors or successor County officer responsible for the administration of this Lease (the "Director"). "Related uses" are defined in the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey set forth in subsection 4.04.A, and are subject to specific approval and the imposition of appropriate limitations as to the size and scope thereof.

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 of the Premises and their guests;

(2) Boat or vehicle repair other than minor servicing or owner maintenance;

(3) Live bait sales; and

(4) Sportfishing activities.

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. County acknowledges and agrees that the use of six hundred (600) residential apartments for subleases on a long-term prepaid basis, whether through a condominium regime or other structure, is consistent with such covenant and agreement of Lessee. 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. No signs or awnings shall be erected or maintained upon the Premises (other than inside any buildings constructed by Lessee or Sublessee), except those which have been approved by the Design Control Board. County acknowledges that Lessee shall place signs advertising the availability of Prepaid Subleases. Without limiting the generality of the foregoing, Lessee shall submit its plans for such signs for the approval of the Design Control Board, which approval shall not be unreasonably withheld. All utility lines shall be underground. Aerials and antennae shall conform to the Specifications and Minimum Standards of Architectural Treatment and Construction mentioned in subsection 4.04.A.

3.05. Hazardous Substances. No goods, merchandise, or material shall be kept, stored or sold in or on the Premises which are in any way explosive or hazardous; and no offensive or dangerous trade, business, or occupation shall be carried on therein or thereon; and nothing shall be done on the Premises, which will cause a suspension or cancellation of the insurance upon the Premises or other premises and the improvements thereon; provided, however, that 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 the Premises which will in any way injure the 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.

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 July 30, 1968, in, to, over or affecting the Premises for any purpose whatsoever, and to those placed on it by Lessee or Lessee's predecessors in interest after July 30, 1968, or by County with the consent of Lessee or Lessee's predecessors in interest.

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.

3.08. Boat Slip Entitlements to Hotel Parcel Operator. The parties acknowledge that, as a part of the existing sublease on the Hotel Parcel, the hotel operator thereon will receive access to or the right to use certain boat slips actually located upon the Premises in conjunction with the operation of the hotel. Those rights and any similar rights created for the users of the Hotel Parcel are and shall become an appurtenance to the Hotel Parcel, such that in the event of a termination of the Restated Hotel Parcel Lease, Lessee shall, provided County has complied with the terms and provisions of the Restated Hotel Parcel 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 hotel operator. The boat slips shall be made available upon the same terms and conditions as Lessee had agreed upon with the Operator of the Hotel or the Initial Hotel Owner as defined in the Restated Hotel Parcel Lease, except that the rent for such slips may be raised to the boat slip rental rate then prevailing in Marina del Rey. The provisions of this Section 3.08 are intended and declared to be covenants running with the land and equitable servitudes which are expressly intended to benefit the Hotel Parcel and to burden the Premises, and such provisions shall benefit all parties having any right, title or interest in the Hotel Parcel, or any part thereof, and on their heirs, successors in interest and assigns, and shall be binding upon and burden all parties having any right, title or interest in the Premises, or any part of the Premises, and on their heirs, successors in interest and assigns. A memorandum or short form of this Lease shall contain this provision and shall be recorded in the records of Los Angeles County.

3.09. Yacht Club. It is agreed that one primary purpose of yacht clubs is to provide for a continuing and

on-going program in boating instruction and safety and to contribute to the pleasure of private boat ownership by participation in yachting regattas and similar competitive events. To that end, Lessee agrees and covenants that if a yacht club is operated on the Premises, the following shall apply: it will conduct races and regattas that promote Marina del Rey; it will participate annually in one (1) regatta that will be open to the entire Marina del Rey boating public; it will conduct annually two (2) educational classes that are open to the boating public; it will actively conduct boating and safety programs that assist the Harbor Patrol and Coast Guard in their functions; it will make facilities available to the Coast Guard Auxiliary and U.S. Power Squadron for educational purposes for at least one (1) class per year upon request; it will conduct an active marine ecology program for the benefit of the Marina del Rey Harbor; it will continue to act as unofficial host to visiting yachtsmen on a reciprocal basis, including providing guest slips and club facilities as available; it will promote youth interest in individually or jointly hosting a regatta once a year. Provided, however, if Lessee fails to comply with the requirements of this Section 3.09, Lessee shall be obligated to pay Percentage Rent on its Gross Receipts from yacht club dues pursuant to subsection 5.08.D(13).

An annual report shall be submitted describing the manner in which the requirements of this section have been satisfied. The manner and time for filing this report may be described in policy statements to be issued by the Director from time to time.

ARTICLE 4. CONSTRUCTION OF IMPROVEMENTS.

4.01. Construction Permissive. Lessee may, at its own expense, make or construct, or cause to be made or

constructed, improvements in addition to the existing Improvements described in Section 1.04 and as well 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, which approval shall not be unreasonably withheld. 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 the Design Control Board, which approvals shall not be unreasonably withheld and upon compliance with such terms and conditions relating to the construction as Director or Design Control Board may reasonably impose. In addition, where required by law, Lessee shall obtain the written approval of the Public Works Director and comply with all requirements imposed by the Public Works Director, prior to the commencement of construction.

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 the project (involving all additions, alterations and changes) does not exceed TWENTY-FIVE THOUSAND AND NO/100THS DOLLARS (\$25,000.00); 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.

4.02. Landscaping. Without limiting the generality of Section 4.01, any alterations to the Premises' grounds shall be subject to the Director's and the Design Control Board's prior approval. 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 layouts must have the approval of Director and the Design Control Board and, if required by law, the Public Works Director.

4.03. INTENTIONALLY DELETED.

4.04. Conditions Precedent to Commencement of Construction. Except where prior written approval by the Design Control Board and the Director are not required under Section 4.01, no construction shall begin until each and every one of the following conditions precedent has been either satisfied or waived by County:

4.04.A. Approval of Final Plans and Specifications. Final plans and specifications have been approved by the Director and the Design Control Board and, where required by law, the Public Works Director (the "Approved Final Plans and Specifications"). Following such approvals, no modification shall be made to the work described or any final plans and specifications without approval thereof by the Director, the Design Control Board and, if subject to the provisions of the Uniform Building Code, the Public Works Director. Plans shall conform to the applicable provisions of the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey as heretofore adopted by the Board of Supervisors on January 31, 1961, and subsequent amendments

thereto, and shall conform to standards generally accepted in the architectural and engineering professions for such documents.

4.04.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.

4.04.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.

4.04.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 to be performed (the "Aggregate Construction Cost"), said bond and said company to be in all respects, including amount thereof, satisfactory to County, naming Lessee as principal, said company as surety, and County and any Approved Encumbrance Holder as obligees, to assure full and satisfactory performance by Lessee of any construction in accordance with Section 4.01.

(2) A corporate surety bond, issued by a surety company licensed to transact business in the State of California, with Lessee as principal, and said company



as surety, and County and any Approved Encumbrance Holder as obligees, in a sum equal to fifty percent (50%) of the 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 4.04.D.

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.

4.04.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 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 of such documents becoming effective.

4.05. Manner of Construction.

4.05.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 controlled using reasonably accepted methods customarily utilized in order to control such

deleterious effects associated with construction projects in a populated or developed area.

4.05.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.

4.05.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.

4.05.D. Compliance with Construction Documents and Laws; Issuance of Permits. All improvements hereafter constructed 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 in connection with such construction and shall make application for such permits directly to the person or governmental agency having jurisdiction.

With regard to any construction activities by Lessee under this Lease, Lessee acknowledges 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 and operation and other use of such newly constructed facilities 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.

4.05.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.

4.05.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 emergency, County shall have the right to enter the Premises immediately and without notice.

4.05.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 cronoflex or mylar final as-built plans and specifications of the improvements.

4.05.H. Nonstructural Construction Within Apartments. The foregoing provisions of Sections 4.01, 4.04 and 4.05, above, shall not apply to construction, alterations or improvements made within any of the Apartments Approved for Prepaid Subleases by either Lessee or a Prepaid Sublessee, provided that such construction is neither structural, visible from the exterior of the Premises if the drapes or shades are drawn nor construction involving the piercing of the exterior of or removal of any exterior portion of any wall, floor or ceiling separating apartments.

4.06. 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, alternations 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.

4.06.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.

4.06.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.

4.06.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. \$2.5 Million Payment. MDP, Lessee's predecessor in interest, has paid County the sum of TWO MILLION FIVE HUNDRED THOUSAND AND NO/100THS DOLLARS (\$2,500,000.00) in consideration for County permitting Prepaid Subleases on the Approved Prepaid Sublease Form, as hereinafter provided, and for County extending the term to

the date and time set forth in Section 2.02. Such payment is nonrefundable and is hereinafter called the "\$2.5 Million Payment."

5.02. Categories of Uses for Rent Purposes. For purposes of calculating the rent, the various uses of the Premises shall be divided into three (3) basic categories. The actual rent shall be determined by calculating the rent with respect to each category, and then adding together the amounts so determined. In no event shall the total rent due from all categories be less than the Minimum Annual Rent. Lessee shall pay County annual rent in an amount equal to the sum of the amounts provided for in this Article 5, at the times hereinafter set forth.

5.02.A. Prepaid Subleases. The first category consists of those residential apartments which are subleased for the entire remainder of the term of the Lease, where Gross Prepaid Subrent is paid to Lessee at the beginning of the term of the Sublease. This category is herein called the "Prepaid Subleases" and the apartments subject to Prepaid Subleases are hereinafter called "Prepaid Subleased Apartments." Prepaid Subleases may result either from the use of the Approved Prepaid Sublease Form, as hereinafter defined, pursuant to subsection 10.01.B, or from the sale of a subleasehold estate condominium unit pursuant to subsection 10.01.C.

5.02.B. Short-Term Subleases. The second category consists of those residential apartments ("Short-Term Subleased Apartments") which are not subject to Prepaid Subleases. This category is hereinafter called the "Short-Term Subleases."

5.02.C. Commercial Uses. The third category consists of the remaining Primary Uses, and any other use made of the Premises. This category is hereinafter called the "Commercial Uses."

5.03. Change in Status of Apartments. The status of a residential apartment may change from a Short-Term Subleased Apartment to a Prepaid Subleased Apartment but it will not change from a Prepaid Subleased Apartment to a Short-Term Subleased Apartment. A Prepaid Subleased Apartment can, however, become subject to increased rent if it is devoted to certain "Commercial Uses," but only as provided in this Section 5.03 below and only for the period that it is actually used for such Commercial Use. Except for the 7.5% Participation Fee due under Section 5.07, when such a change occurs, the rent for the particular apartment shall be calculated according to the number of days of each category of use within the month where the change took place. If any apartment is actually devoted to "Commercial Uses" as set forth in subsection 5.08.D, then subject to the limitations contained therein and in subsection 5.08.F, rent payable to County with respect to that apartment shall be calculated at the higher of the Commercial Use percentage rent for such use, or the rent which would otherwise be payable with respect thereto if the apartment were being devoted to residential uses. As used herein, a Commercial Use does not include renting or leasing a residential apartment for residential purposes, whether on a short or long-term basis.

5.04. Minimum Annual Rent. The initial "Minimum Annual Rent" for the Premises shall be the sum of FOUR HUNDRED SIX THOUSAND TWO HUNDRED FORTY-FIVE AND 20/100THS DOLLARS (\$406,245.20).

5.04.A. Purpose of Allocating Minimum Annual Rent. Initial Minimum Annual Rent is allocated among the three (3) categories because the Minimum Annual Rent for Prepaid and Short-Term Subleased Apartments is renegotiated at different times than the Minimum Annual Rent for Commercial Uses. Such categories are used, with respect to



Minimum Annual Rent, for renegotiation and readjustment purposes only. The obligation to pay Minimum Annual Rent is cumulative such that the total rent from the Premises must equal or exceed the total Minimum Annual Rent and there is no Minimum Annual Rent applicable to any one (1) category of use of the Premises.

5.04.B. Allocated Minimum for Apartments. The Minimum Annual Rent allocated to all apartments for renegotiation and readjustment purposes is TWO HUNDRED NINETEEN THOUSAND THREE HUNDRED SEVENTY-TWO AND 41/100THS DOLLARS (\$219,372.41). This amount is further allocated to each Prepaid Subleased Apartment and each Short-Term Subleased Apartment in accordance with the "Schedule of Minimum Rents and 7.5% Participation Fee Credits" shown in Exhibit D attached hereto and incorporated herein. Minimum Annual Rents on the Prepaid Subleased Apartments shall be subject to adjustment as provided in Section 5.06 and renegotiation as provided in Section 5.10. Minimum Annual Rents on the Short-Term Subleased Apartments shall only be subject to renegotiation as provided in Section 5.10.

5.04.C. Allocated Minimum to Commercial Uses. The Minimum Annual Rent allocated to the Commercial Uses, for renegotiation purposes, is ONE HUNDRED EIGHTY-SIX THOUSAND EIGHT HUNDRED SEVENTY-TWO AND 79/100THS DOLLARS (\$186,872.79). Minimum Annual Rent on the Commercial Uses shall be subject only to renegotiation as provided in Section 5.10.

5.05. 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 ("Minimum Monthly Rent"). 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.

5.06. Annual Readjustment of Prepaid Sublease Minimum Rent. In addition to the readjustments to Minimum Annual Rent for Prepaid Subleases provided for in subsection 5.10.A, below, Minimum Annual Rent for Prepaid Subleases shall be adjusted at the end of each calendar year to equal seventy-five percent (75%) of the prior year's rent attributable to Prepaid Subleases. This annual adjustment and the resulting Minimum Annual Rent for Prepaid Subleases shall have no effect on the determination of Minimum Annual Rent for Prepaid Subleases as provided for in subsection 5.10.A, below, and shall not occur in the year such subsection 5.10.A determination is made.

5.07. The 7.5% Participation Fee. Lessee shall pay County an amount equal to seven and one-half percent (7.5%) of Gross Prepaid Subrent received from each Prepaid Sublessee under a Prepaid Sublease (the "7.5% Participation Fee"). "Gross Prepaid Subrent" means the total consideration prepaid by a Prepaid Sublessee to Lessee under Prepaid Subleases, exclusive of: (a) costs paid by the Prepaid Sublessee to third parties, including, but not limited to title policy costs, escrow costs, insurance costs, upon entering the Prepaid Sublease; (b) amounts to be used for maintenance or operations of the Premises and specifically designated as such, e.g., deposits or payments for Prepaid Sublessee's allocable share of maintenance, capital reserve funds, Shadow Rent, taxes, and any other similar costs or charges which are not either the "Sublease Payment" or other prepaid rent for a subleasehold estate on the Approved Prepaid Sublease Form or the payment for the purchase price for a subleasehold condominium unit, whether such amounts are labelled as rent or otherwise; and (c) the actual cost to Lessee of any

discounts, allowances or rebates allowed to the Prepaid Sublessee to a maximum exclusion of an amount equal to ten percent (10%) of the Gross Prepaid Subrent.

5.07.A. Payment; Valuation of Notes. The 7.5% Participation Fee shall be paid in full in cash on an apartment-by-apartment basis each time Lessee enters into a Prepaid Sublease with respect to an apartment. Where payment to Lessee is made through an escrow, payment to County shall be made from that same escrow. Except as otherwise provided in this subsection 5.07.A, if Lessee accepts a note made by the Prepaid Sublessee as a part of the Gross Prepaid Subrent, that note shall be valued at its face amount and the 7.5% Participation Fee shall be paid at closing on that basis. In the event that Lessee accepts such a note and then sells it to an unrelated third party within thirty (30) days following the closing, then that note shall be revalued to equal the price paid therefor by such third party and the 7.5% Participation Fee shall accordingly be adjusted. If such note was sold at a discount, Lessee shall be entitled to a credit equal to the excess 7.5% Participation Fee paid to the County because of the lower value of the note resulting from such discount against the 7.5% Participation Fee(s) next due. If the credit is not taken within sixty (60) days from the date of the sale of such note, Lessee shall be entitled to a credit against the other sums next due under this Lease or, at Lessee's election, a refund, within 45 days after written notice of such election, of the amount of credit then due.

5.07.B. Credit Against 7.5% Participation Fee. Lessee shall be entitled to a pro rata credit against the payment required under subsection 5.07.A for the \$2.5 Million Payment. The exact credit is determined on an apartment-by-apartment basis, and is set forth upon the "Schedule of Minimum Rent and 7.5% Participation Fee

Credits" in Exhibit D. References to apartment numbers on Exhibit D are to the numbered apartments shown on the Apartment Plan.

5.07.C. Impact of 7.5% Participation Fee On Other Payments. Except as specifically otherwise provided in this Article 5, payment of the 7.5% Participation Fee is in addition to all other sums due under this Lease, and shall not reduce the amount of payment due under any other provision of this Lease. By way of example, the 7.5% Participation Fee shall not apply to or reduce the Percentage Rents due under Section 5.08, but a portion of the 7.5% Participation Fee shall be a credit against Defined Net Proceeds from Marketing Prepaid Subleases due under Section 5.14.

5.08. Percentage Rents; Payments. Tenant shall also pay "Percentage Rents" based upon the Gross Receipts from the Premises to the extent that they exceed the Minimum Annual Rent.

5.08.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 subsections 5.08.B, 5.08.C and 5.08.D, as applicable. All existing apartments shall be classified only under either subsection 5.08.B or 5.08.C, whichever is appropriate. Within fifteen (15) days after the close of each and every calendar month of the term hereof, Lessee shall file a written report of Gross Receipts and pay to County a sum equal to the total of the percentages contained in subsections 5.08.B, 5.08.C and 5.08.D for said previous month, less the amount of monthly installment of Minimum Monthly Rent paid. The statement shall include at least the following information, by apartment number, as of the first (1st) day of the month

in which the statement is given ("Monthly Residential Status Report"):

(1) The occupancy status of the apartment as either a Prepaid Subleased Apartment, Short-Term Subleased Apartment or vacant;

(2) The name, and mailing address for the person responsible for the payment of rent if different from the premises of the Sublessee and/or occupant, if known, of the apartment;

(3) The rent being charged and to be charged with respect to the apartment, as follows:

(a) For each Short-Term Subleased Apartment, Lessee shall supply the current monthly rent then being charged the Sublessee ("Current Rent"), the rent that Lessee anticipates charging the Sublessee upon renewal of the tenancy agreement affecting the apartment if there are two (2) months or less remaining on such sublease (the "Renewal Rent"), and the monthly rent for the apartment which Lessee quotes to interested third parties if the apartment is vacant (the "Street Rent").

(b) For each Prepaid Subleased Apartment, Lessee shall initially supply the amount of Gross Prepaid Subrent, the date the Gross Prepaid Subrent was paid, and, the initial Shadow Rent for the apartment; thereafter Lessee shall supply only the amount of Shadow Rent for the apartment.

At Lessee's election, this statement may be combined with the statement required under Section 13.03.

5.08.B. Prepaid Subleases. Percentage Rents for Prepaid Subleases shall be calculated by reference to a Shadow Rent roll. "Shadow Rent" means an amount designed to approximate the subrent that would otherwise have been paid by Prepaid Sublessees to Lessee had the Prepaid

Subleased Apartment continued to have been rented on a short-term basis.

(1) The Shadow Rent as of January 1, 1987, for each Apartment Approved for Prepaid Subleases is set forth on Exhibit R attached hereto and made a part hereof (the "Initial Shadow Rent").

(2) The Shadow Rent for each Apartment Approved for Prepaid Subleases shall be adjusted on January 1, 1988, and on January 1 of each year thereafter for the term of this Lease, based upon the average percentage change in two (2) indices as follows:

(a) The first index is 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 "CPI Rental Index"). The second index is the Index of average housing value of the Real Estate Research Council of Southern California for the Westside-Santa Monica reporting area (the "Research Council Index").

(b) In order to determine the percentage change in an Index, the figure shown on the Index published for a date on or most recently before January 1, 1987 ("Beginning Index"), shall be subtracted from the figure shown on the Index published for a date on or most recently before the date rent is to be adjusted ("Adjustment Index"), assuming the indices are published not more than twelve (12) months apart. The difference shall be divided by the figure shown on the Beginning Index, and that result shall be the percentage change in the particular Index for the preceding year. In order that the percentage change may be measured annually, the Adjustment Index in one (1) year shall become the Beginning Index for the following year.

(c) The percentage change for each Index, as calculated above, shall be added together, and the sum divided by two (2). The result shall constitute the average percentage change in the two (2) indices.

(d) Subject to the limitations in subsection 5.08.B(2)(e) below, the average percentage change calculated in the preceding subsection shall be multiplied by the Shadow Rent in effect immediately preceding the Adjustment Date, and the resultant figure shall be added to or subtracted from such Shadow Rent, with the total being the Shadow Rent for the following year. In no event, however, shall the Shadow Rent for any particular Prepaid Subleased apartment in any year either be less than the Initial Shadow Rent for that apartment nor shall it exceed an amount equal to the Initial Shadow Rent for that apartment, increased at eight percent (8%) per year, on a compounded basis. The maximum Shadow Rent payable with respect to an Apartment subject to a Prepaid Sublease expressed in terms of a percentage of the Initial Shadow Rent (shown on Exhibit R) is set forth in Exhibit F, attached hereto and incorporated herein. The maximum rent payable, with respect to such an Apartment, would be the Initial Shadow Rent, first multiplied by the percentage shown on Exhibit F, and then multiplied by the appropriate percentage under subsection 5.08.B(3) below.

(e) The Shadow Rent for any particular apartment in any one (1) year, however, shall not increase by more than the lesser of the following: an amount equal to eight percent (8%) of the Shadow Rent in effect immediately preceding the Adjustment Date; or, an amount equal to the maximum percentage increase permitted by any applicable rent control ordinance or law.

(f) In the event that the limitation in subsection 5.08.B(2)(e) becomes effective, such that the

County did not receive the full increase otherwise allowable under subsection 5.08.B(2)(d), the County shall be entitled to carry forward the dollar amount of increase it was otherwise entitled to, appropriately compounded, to years where such limitation does not otherwise come into effect. This entitlement shall exist until such time as the Shadow Rent for the particular apartment reaches the annual dollar amount it would have attained in the absence of subsection 5.08.B(2)(e). Increases attributable to the carry forward itself, however, shall also be subject to the limits of subsection 5.08.B(2)(e). This carry forward provision shall operate as shown in the following example:

EXAMPLE: Assume Initial Shadow Rent of \$1,000 per month, and average percentage index changes in Years 1, 2 and 3 of 7%, 10% and 4%, respectively.

- The increase in Year 1 would be \$70 [ $\$1,000 + (\$1,000 \times 7\%)$ ], thereby increasing the rent for Year 2 to \$1,070.
  
- The increase in Year 2 would be \$85.60, thereby increasing the rent for Year 3 to \$1,155.60 [ $\$1,070 + (8\% \times \$1,070)$ ]
  
- The increase in Year 3 would be \$68.40, thereby increasing the rent for Year 4 to \$1,224 [ $\$1,177$  (the rent which would have been in effect but for the maximum increase limits) +  $(4\% \times \$1,177)$ ]

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\* In the absence of the maximum increase limitations, the rent would have increased to \$1,177. But subsection 5.08.B(2)(d) and subsection 5.08.B(2)(e) limit the increase to 8% of the preceding year's Shadow Rent.



NOTE:           \$1,177 + \$47 = \$1,224  
                  \$1,224 - \$1,155.60 = \$68.40  
                  \$68.40 is less than 8% of 1,155.60  
                  (\$92.40)

(g) If either Index is changed so that its base year differs from that used as of January 1, 1987, the Index shall be converted in accordance with the conversion factor published by the publisher of the Index. If the Research Council Index is discontinued, then adjustments occurring after the discontinuance of the Research Council Index shall be based solely upon upon the percentage change in the CPI Rental Index. If the CPI Rental Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the CPI Rental Index had not been discontinued or revised. In the event County and Lessee fail to agree on the use of a replacement index within sixty (60) days of such discontinuance or revision, the selection of the same shall be determined by arbitration in accordance with Section 16.16, below.

(3) Lessee shall pay the following percentages of the Shadow Rent for each Prepaid Subleased Apartment:

(a) From the commencement of the term through November 6, 1987, seven and one-half percent (7.5%) per year;

(b) Commencing upon November 7, 1987, and extending through December 31, 1995, ten and one-half percent (10.5%) per year;

(c) Commencing upon January 1, 1996, and extending through December 31, 2015, twelve and one-half percent (12.5%) per year; and

(d) Commencing on January 1, 2016, and extending through the end of the term, the percentage rate which is the apartment percentages component of the Fair Rental Value of the land and water comprising the Premises, determined in accordance with Section 5.10. In no event, however, shall the percentage actually determined be less than twelve and one-half percent (12.5%) per year, nor greater than fifteen percent (15%) per year.

(e) Lessee's obligation to pay a percentage of Shadow Rent for an apartment shall not begin until a Prepaid Sublease is executed for such apartment. After such execution, Lessee's obligation to pay rent attributable to Prepaid Subleases shall equal the percentage hereinabove provided times the Shadow Rent determined for such apartment. The Lessee shall not be obligated to pay a percentage of Shadow Rent for the portion of the Lease Year, if any, occurring prior to the time a Prepaid Sublease was executed with respect to such apartment.

5.08.C. Short-Term Subleases. Percentage Rents for Short-Term Subleased apartments shall be equal to the following percentages:

(1) From the commencement of the term and through November 6, 1987, seven and one-half percent (7.5%) per year;

(2) Commencing upon November 7, 1987, and extending through December 31, 1995, ten and one-half percent (10.5%) per year;

(3) Except as otherwise provided in subsection 5.08.C(5), commencing on January 1, 1996, and extending through December 31, 2015, twelve and one-half percent (12.5%) per year;

(4) Except as otherwise provided in subsection 5.08.C(5), commencing on January 1, 2016, and

extending through the end of the term, the percentage rate which is the apartment percentages component of the Fair Rental Value of the land and water constituting the Premises, determined in accordance with Section 5.10. In no event, however, shall the percentage determined be less than twelve and one-half percent (12.5%) per year, nor greater than fifteen percent (15%) per year; and

(5) If a rent control ordinance or law is in effect on January 1, 1996 or December 31, 2015, which would prohibit the increase resulting from the scheduled change in percentage from being passed along, in full and without reduction in other components of rental to which Lessee would otherwise be entitled, to the Short-Term Sublessee ("Rent Control"), then the amount of dollar increase, appropriately compounded, represented by that portion of the change in percentage which cannot be passed along under Rent Control in effect on the date of the scheduled change will not take effect until such time as it may be passed along to the Short-Term Sublessees under the terms of Rent Control. Until that time, however, partial percentage increases shall occur from time to time in the amounts which may be passed along, in full and without reduction in other components of rental to which Lessee would otherwise be entitled, to the Short-Term Sublessee.

5.08.D. Commercial Uses. Percentage Rents for Commercial Uses shall be calculated according to the following:

(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.

(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;

(3) Seven and one-half percent (7.5%) of Gross Receipts or other fees charged for the occupancy of the other structures and other facilities located on the Premises including but not limited to (a) hotel and motel accommodations, (b) house trailers, (c) meeting rooms, (d) 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, (e) parking fees or charges except where such parking fees or charges are collected in conjunction with an activity, the Gross Receipts from which are required to be reported in a percentage category greater than seven and one-half percent (7.5%), (f) 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 (g) live-aboard charges over and above slip rental fees imposed by anchorages for the privilege of a boat owner living on his boat;

(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;

(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;

(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;

(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 sportfishing boats;

(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;

(9) Ten percent (10%) of Gross Receipts from the operation of a bar, tavern, cocktail lounge,

discotheque, night club or other facilities engaged primarily in the on-premises sale of alcoholic beverages except as provided for in subsection (10);

(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);

(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;

(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;

(13) Fifteen percent (15%) of Gross Receipts from club dues, initiation fees, and assessments, except that: (a) with respect to the facilities affected by that certain sublease between Lessee and Marina Club Management, Inc., dated as of December 9, 1986 (the "Club"): each and every Prepaid Sublessee shall be deemed to have become a member of the Club at the time he entered into his Prepaid Sublease, even if that Prepaid Sublessee was already a member of the Club, and irrespective of whether the Prepaid Sublease is entered into on the Approved Prepaid Sublease Form or through the approved condominium structure; unless a higher initiation fee is agreed to in writing by the Prepaid Sublessee, THREE THOUSAND AND NO/100THS DOLLARS (\$3,000.00) of the Sublease Payment or Condominium Payment (as defined in the Approved Prepaid Sublease Form and Master Condominium Sublease, respectively), whichever is appropriate, shall be deemed to be the initiation fee for such membership for Prepaid Subleases entered into prior to

April 1, 1990, and the then customary initiation fee charged by the Club shall be deemed to be the initiation fee for such membership for Prepaid Subleases entered into thereafter; and, the reporting requirements, payment responsibilities and other provisions of subsections 2.05.B through 2.05.D, inclusive, of the Consent and Nondisturbance Agreement identified as Item 2 in Exhibit J shall apply irrespective of whether the payment is made through a Sublease Payment or a Condominium Payment;

(b) separate assessments for capital improvements are exempted provided that Lessee complies with the "Criteria for Eligibility for Exemption of Special Assessments from Gross Receipts" issued by the Director; (c) this subsection shall not apply to the assessments of the Owners Association contemplated by Section 10.01.C(1); and (d) this subsection shall not apply to a yacht club operated and/or maintained by Lessee and/or any Sublessee in compliance with the terms and conditions of Section 3.09 of this Lease;

(14) Five percent (5%) of Gross Receipts or other fees charged from the operation of sightseeing boats, tour boats or water taxis;

(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;

(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;

(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);

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

(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, 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.

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 subsection 5.08.D, 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 5.08.D(6), (7) and (19), above, are excerpted and restated in Exhibit O attached hereto and are incorporated herein by reference.

5.08.E. Credit for Excess Payments. If rent payments actually made by a Lessee under Sections 5.04, 5.05 and 5.08 in a particular Lease Year exceed the total rentals actually due for that year when computed on an annual basis ("Excess Percentage Rent Payments"), Lessee shall be allowed to credit the Excess Percentage Rent Payment against the succeeding monthly installments of Percentage Rents otherwise due for the category for which the Excess Percentage Rent Payment was made, until such



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

5.08.F. Effect of Sublessee, etc., Doing Business. Where a Sublessee, licensee, concessionaire 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 5.08.D(3)(f), irrespective of whether such uses or occupations are conducted in an office or an apartment, Lessee shall report whichever of the following results in the greater percentage rental: (1) the Gross Receipts of each Sublessee under one or more of the appropriate subsections of this Section 5.08; or (2) Lessee's receipts from each Sublessee under subsection 5.08.D(3).

For purposes of this subsection 5.08.F and this Lease, a Prepaid Sublessee who rents his apartment(s) to a third party whether on a long or short-term basis shall not be deemed to be conducting a rental business from the Premises.

5.08.G. 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.

5.08.H. 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 Sublessee.

5.08.I. 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 from the use of the Premises 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. Lessee shall not be obligated to pay Percentage Rents on a business conducted by any Sublessee without Lessee's authorization, however, unless such unauthorized business continues for a period in excess of three (3) months in which case Lessee shall thereafter pay such Percentage Rents. Provided, further, Lessee shall not be obligated to pay any Percentage Rents on a business conducted by any Sublessee which is illegal.

(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 amortization, 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 full 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 N 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) Gross Receipts shall not include brokerage fees or similar fees received by Lessee in connection with the transfer of Prepaid Subleases where County is receiving a 7.5% Participation Fee or an Administrative Transfer Fee.

(6) Gross Receipts shall not include any payments to Lessee from the Prepaid Sublessees for Administrative Transfer Fees, utilities, maintenance costs, taxes, capital reserves or other expense items, or any transfer fee imposed by Lessee, whether identified as rent or otherwise, or the Gross Prepaid Subrent.

(7) For purposes of calculating the Lessee's receipts under subsection 5.08.F, such Lessee's receipts shall be deemed not to include the reimbursement to Lessee from a Commercial Sublessee of actual maintenance and utility costs where all of the following occur: the reimbursement is made pursuant to a written sublease for space within the Premises which specifically identifies the reimbursable cost or the Sublessee's proportionate share thereof separate and apart from the rent due from such Sublessee; the Sublease has been approved by the Director; Lessee does not make a profit upon the particular cost; and, the cost is one which falls within line item nos. 1, 11, 12, 13, 14, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28 or 29 of page M-3 of Exhibit M, or represents the portion of line item no. 17 on such page M-3 allocable to such other line items. The amount excluded shall be the actual amount so reimbursed, irrespective of its relationship to the percentages shown on Exhibit M-3.

5.08.J. 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 5.08 are not all applicable to this Lease and are in no way intended to expand the purposes and uses provided for by Article 3.

5.08.K. Cooperation in Case of Rent Control. In the event that Rent Control is enacted thereby limiting the rent that may be charged hereunder, Lessee shall fully cooperate with any efforts County may make in order to either minimize or eliminate the effects of Rent Control on such rent; provided, however, that Lessee shall not be obligated to incur costs or expenses in connection with such cooperation. If Lessee also challenges any Rent Control, then Lessee shall bear its own costs and expenses.

5.09. Deposit. County hereby acknowledges receipt from Lessee of the sum of ONE HUNDRED ONE THOUSAND FIVE HUNDRED SIXTY-ONE AND 31/100THS DOLLARS (\$101,561.31) (the "Initial Deposit"). The Initial Deposit 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.

5.09.A. Increase in Deposit. The Initial Deposit shall be increased on November 7, 1987, and on November 7 of each year thereafter 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) The Initial Deposit increased by the same percentage increase in the CPI Rental Index.

In order to determine the new deposit amount under this subsection 5.09.A(2), the Initial Deposit shall be multiplied by a fraction, the numerator of which is the CPI Rental Index most recently published before the date of the adjustment, and the denominator of which is the CPI Rental Index most recently published before November 7, 1986 ("Commencement Index"). The greater of the resultant figure, or the Initial Deposit, shall be the deposit amount under this subsection 5.09.A(2).

If the CPI Rental Index is changed so that the Base Year differs from that used for the Commencement Index, the CPI Rental Index shall be converted in accordance with the conversion factor published by the Bureau of Labor Statistics. If the CPI Rental 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 CPI Rental Index had not been discontinued or revised. In the event County and

Lessee fail to agree on the use of a replacement index within sixty (60) days of such discontinuance or revision, the selection of the same shall be resolved by binding arbitration in accordance with Section 16.16.

5.09.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 application 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.

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

5.09.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.

5.10. Renegotiation of Minimum Annual Rent and Percentage Rents. The Minimum Annual Rent and Percentage Rents shall be readjusted, except as provided below, to the Fair Rental Value of the land and water comprising the

Premises as of the Renegotiation Date, in accordance with this section.

5.10.A. Renegotiation Date. With respect to the Prepaid Subleases and the Short-Term Subleases, the "Renegotiation Date" shall be January 1, 2016. With respect to the Commercial Uses, the "Renegotiation Date" shall mean July 30, 1993, and each tenth (10th) anniversary of such date thereafter during the term.

5.10.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 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. "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 apartments and other 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 affected by this Lease; and other rentals being paid by tenants in the Marina del Rey area and other comparable areas.

Percentages shall be established for Apartments (to be used in subsections 5.08.B and 5.08.C) and for all classifications of use in subsection 5.08.D, irrespective of Lessee's then ability to use the Premises therefor. The appraiser cannot consider the value of the Premises other than for its use with the then-existing Improvements, maintained and repaired as above, and the then-existing Primary Uses and, to the extent requested by Lessee and approved by County, Related Uses under this Lease.

5.10.C. Limitations on Adjustment to Fair Rental Value. The percentages for Prepaid Subleases and Short-Term Subleases shall not be adjusted above or below the limits established in subsections 5.08.B and 5.08.C, respectively.

5.10.D. 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 County's determination of the Fair Rental Value of the Premises for those uses to be readjusted on the Renegotiation Date. 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 thirty (30)-day period following Lessee's receipt of County'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 County's entire determination.

(3) Within fifteen (15) days of written request sent by Lessee to County 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 forty-five (45) 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.

5.10.E. 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 as set forth in Section 16.16 hereof. 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 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.

5.10.F. Interim Rent Payments During Arbitration. If the arbitration is not concluded before the Renegotiation Date, then the rent to be paid until arbitration is complete shall be determined in accordance with this subsection 5.10.F.

(1) If only one of the 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.

5.10.G. 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 5.10.F, 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 two percent (2%) per annum more than the prime rate (or its equivalent) of the commercial bank then headquartered in California with the largest dollar amount of assets or the maximum rate allowed by law, 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 5.10.F, 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 paid in full.

5.11. Administrative Transfer Fee - Leasehold.

Except as otherwise provided in this Section 5.11, each time there is a Change in Ownership as defined in this Section 5.11, below, the County shall be paid an administrative fee in the amount provided for in this Section 5.11 ("Administrative Transfer Fee").

5.11.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.

(1) 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, but 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. 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 shall include, without limitation, general and limited partnership interests with respect to any partnership or stock with respect to a corporation which is an owner of an interest in the Lease.

(2) Where an interest in an entity is itself held by an entity, the provisions of this Section 5.11 shall likewise apply with respect to the entity holding such interests; however, a Change of Ownership would not be deemed to occur merely because fifty percent (50%) or more of the ownership of such entity were to be transferred. For example, if a corporation held a ten percent (10%) interest in Lessee, then a transfer of sixty percent (60%) ownership in such corporation would be treated as a transfer of a six percent (6%) interest in the Lease.

(3) By way of clarification, a Change in Ownership shall not include a mere change in the form or

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 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.

(4) As used in this Lease, the phrase "beneficial interest in this Lease" shall refer to the ultimate owner or owners of the interest in the Lease 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: (a) neither the initial creation of a Prepaid Sublease nor the subsequent transfer of the Prepaid Sublessee's interest shall be deemed to be a transfer of a "beneficial interest in this Lease"; and (b) if an entity with an ownership interest in this Lease is a partnership or corporation whose beneficial interest in this Lease is less than fifteen percent (15%) of its total assets or is one in which there are not less than ten (10) shareholders or partners who together own more than thirty percent (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 this Lease 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 Lessee is a partnership, with one partner owning fifty percent (50%) and being a corporation and one partner owning fifty

percent (50%) and being an individual (X) and the corporation is itself owned eighty percent (80%) by an individual (Y) and twenty percent (20%) by an individual (Z) then the beneficial interest in this Lease 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 is an entity which owns assets other than this Lease and if interests in such entity are transferred, thereby causing the transfer of a beneficial interest in this Lease, the sales proceeds from the sale of interests in such entity shall be apportioned to this Lease and to other assets owned by such entity in the same proportion as the relative fair market values of this Lease 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 and shall not be calculated with respect to the amount of such sales proceeds apportioned to such other assets.

5.11.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 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, if Lessee is a partnership, or (c) an owner of Lessee if other than an individual or partnership;

(4) A transfer of beneficial interest in this Lease 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) With respect to J. H. SNYDER COMPANY, A California Limited Partnership, alone, the purchase by one or more of the remaining partners of a fifteen percent (15%) interest of a partner who dies within two (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 fifteen percent (15%) partnership interest was acquired and the equity paid to such partner's estate is not more than TWO MILLION AND NO/100THS DOLLARS (\$2,000,000.00).

5.11.C. Calculation and Payment of Fee. The Administrative Transfer Fee shall be due and payable concurrently with the transfer giving rise to the obligation to pay such fee.

(1) Where the entire Lessee's interest or all of the beneficial interest in the entity comprising Lessee 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, the Administrative Transfer Fee would be due with respect to only those portions of the beneficial interest in this Lease which have been transferred since the later of the date of execution of this Lease or the time an Administrative Transfer Fee was most recently paid. 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 5.11.C(3). A Purchase Money Note shall be valued at its face amount unless, (a) 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 (b) it is a note which is both secured only by the interest transferred and is nonrecourse. 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 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.

5.12. Administrative Transfer Fee - Prepaid Subleases. Each time there is a Change in Ownership, as defined in subsection 5.12.A, below, of a Prepaid Sublessee's interest, the Lessee shall collect from Sublessee and forward to County an administrative fee equal to one percent (1%) of the fair market value of the Prepaid Sublease being transferred ("Administrative Transfer Fee"). The fair market value shall be deemed to be the sales price or other consideration given for the Prepaid Sublease interest transferred.

5.12.A. Meaning of "Change in Ownership." A Change in Ownership with respect to a Sublessee's interest shall have the same meaning and be subject to the same exceptions as set forth in Sections 60, et seq., of the

California Revenue and Taxation Code as it existed on November 7, 1986; provided, however, any Authorized Mortgagee and the holder of the Subleasehold Deed of Trust (as those terms are defined in the Approved Prepaid Sublease Form and the Master Condominium Sublease) shall be entitled to the exemption from the payment of an Administrative Transfer Fee provided to an Approved Encumbrance Holder in subsection 5.11.B(2).

5.12.B. Obligation to Pay is Joint and Several. Prepaid Subleases shall impose the obligation to pay this fee, and shall provide that such payment is the joint and several obligation of both the transferor and the transferee of the Prepaid Sublessee's interest.

5.12.C. Lessee's Obligations to Collect/Pay. Lessee shall adopt reasonable procedures and shall make reasonably diligent efforts to collect the Administrative Transfer Fees due pursuant to this Section 5.12. Lessee shall not be entitled to recoup from County any of its costs of collection. So long as Lessee has complied with the terms of subsections 5.12.B and 5.12.C, Lessee shall be obligated to pay County only such sums as Lessee has actually collected.

5.12.D. Transfer Fee Imposed by Lessee. Nothing in this Lease shall prevent Lessee from establishing now or in the future a transfer fee for its own account in addition to the Administrative Transfer Fee, or from recouping costs of collection from Prepaid Sublessees. This transfer fee shall, if established by Lessee, represent income to the Lessee that will: (1) not be subject to any Percentage Rents payable to County under Article 5 or any other provision herein; and (2) shall not count as income to Lessee in determining whether Lessee has complied with any applicable County policy or guideline relating to Prepaid Subleases.

5.12.E. Special Exemption for 1031 Exchange.

In the event that a particular transaction involves more than one Change in Ownership solely because of the Prepaid Sublessee's interest being held for an interim period (not to exceed twenty-four (24) hours) by an accommodation party as a part of a tax-deferred exchange under Section 1031 of the Internal Revenue Code, and there is no increase in consideration given, then for purposes of the Administrative Transfer Fee, the transaction shall be deemed to contain only one Change in Ownership. If the transaction described in the preceding sentence is the original creation of a Prepaid Sublease by Lessee, there shall be no Administrative Transfer Fee.

5.13. General Provisions Regarding Recovery of Costs and Payment of Proceeds. Sections 5.14, 5.15 and 5.19 provide for the payment to County of certain types of proceeds, after Lessee has recovered its legitimate costs. Exhibits G, H and I set forth 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.

5.13.A. Construction. The cited Sections and Exhibits shall be construed so as to allow Lessee to recover 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 Proceeds from Marketing Prepaid Subleases, Defined Net Transfer Proceeds, Defined Net Refinancing Proceeds or as an Improvement Cost, an Eligible Conversion Cost or an Eligible Transaction Cost. The purpose of the lists contained in the exhibits are to list examples of the 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.

5.13.B. Excess Operation and Maintenance Costs.

The parties acknowledge that some of the Improvement Costs listed on Exhibit G are also the types of costs typically incurred for the operation and maintenance ("O&M") of the Premises, and that normal O&M costs are not deductible from gross proceeds. The parties also acknowledge, however, that O&M costs are likely to have a net increase as a result of Lessee's efforts to market Prepaid Subleases, but that such net increase would be extremely difficult to measure accurately. Consequently, the parties have agreed that Lessee is entitled to deduct certain O&M costs as provided below and upon a method for calculating such costs.

(1) The O&M items historically paid by Lessee with respect to the apartments are listed on Exhibit Q ("Historical O&M"). The Apartments Approved for Prepaid Subleases shall be allocated 86.6% of the Historical O&M and 86.6% of the subsequent O&M for the costs listed on Exhibit Q.

(2) The O&M and Historical O&M Costs thus apportioned shall be allocated among the Apartments Approved for Prepaid Subleases in the same proportion as the Shadow Rent. The total of Historical O&M Costs to be

so allocated as of July 1, 1986, is THREE MILLION SEVEN HUNDRED SIXTY THOUSAND EIGHT HUNDRED SEVENTY-THREE AND 89/100THS DOLLARS (\$3,760,873.89).

(3) Commencing on the day Lessee begins marketing Prepaid Subleases and until the first day of the calendar month following the date Lessee actually removes a particular apartment from its short-term rental inventory, that apartment's allocated O&M would be reduced by its Historical O&M and the difference would be that apartment's "Excess O&M." Historical O&M will be increased each July 1 by the same percentage increase as the CPI Rental Index described above. During the period described above, Lessee shall be entitled to deduct its Excess O&M as a Conversion Cost. On the first day of the calendar month following the date Lessee actually removes the apartment from its short-term rental inventory, Lessee shall be entitled to deduct the entire apportioned O&M until a Prepaid Sublease is executed for such apartment.

5.13.C. Improvement Costs. "Improvement Costs" shall include all costs for improving the Premises which are not O&M, including additional investments made by Lessee after December 9, 1986, for physical improvements and renovations to or exclusively for the benefit of the three tower buildings containing the Apartments Approved for Prepaid Subleases, including without limitation the types described on Exhibit G attached hereto and incorporated herein. With respect to Defined Net Proceeds from Marketing Prepaid Subleases, Improvement Costs shall also include the proportionate share of physical improvements and renovations to the remainder of the Premises, including without limitation the types described in Exhibit G, allocated to the Apartments Approved for Prepaid Subleases, determined in accordance with the Approved Operation Budget. With respect to Defined Net

Transfer Proceeds and Defined Net Refinancing Proceeds, Improvement Costs shall also include the cost of all other physical improvements and renovations to the remainder of the Premises, including without limitation the types described in Exhibit G. In any event, Improvement Costs shall exclude those costs which, if treated as either a Conversion Cost or a Transaction Cost, would not constitute an Eligible Conversion Cost or an Eligible Transaction Cost. As a result, Lessee shall be entitled to a deduction from Defined Net Proceeds from Marketing Prepaid Subleases for the cost of all improvements to or exclusively for the benefit of the three (3) towers containing the Apartments Approved for Prepaid Subleases, and such Apartments' proportionate share, determined in accordance with the Approved Operation Budget, of the cost of all other improvements to the remainder of the Premises. Lessee would be entitled to deduct from Defined Net Transfer Proceeds or Defined Net Refinancing Proceeds all Improvement Costs not previously recouped.

5.13.D. 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, Conversion and/or Transaction process(es), and Lessee shall be entitled to include as Improvement or Conversion or 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 Costs, 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 items 17 and 18 in Exhibits G and H, respectively:

(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 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, Transaction or Conversion processes.

5.13.E. Conversion Costs; Eligible Conversion Costs. "Conversion Costs" shall include all documented costs paid or incurred by Lessee to improve, renovate, rehabilitate or modify the Premises and all other costs incurred, directly or indirectly, in connection with the preparation to market, or the marketing of, the Prepaid Subleases, or the collection and/or retention of Gross Prepaid Subrent or otherwise in connection with the Conversion process, or otherwise relating to the conversion of the 600 Short-Term Subleased Apartments to Prepaid Subleased Apartments (provided that a cost must be listed by Lessee as an Improvement Cost or a Conversion Cost so that Lessee cannot be credited twice with such cost), including, without limitation, the type described on Exhibit H attached hereto and incorporated herein. Lessee shall be entitled to deduct all of Lessee's legitimate Conversion Costs other than that portion of the Conversion Costs which: (1) result from or relate to Lessee's application to governmental authorities for approval of a subleasehold condominium regime; (2) result from or relate to the actual approval by such governmental authorities; (3) are attributable to the processing, negotiation and approval of this Second Amended and Restated Lease; (4) would not have been incurred but for Lessee's decision to process subleasehold condominium approvals; or, (5) any combination of the foregoing. The Conversion Costs remaining after the exclusion of the costs listed in the preceding sentence are hereinafter called "Eligible Conversion Costs." That portion of a Conversion Cost (such as a commission and loan fees) which would have been



incurred irrespective of the nature of the Prepaid Sublease shall not be rendered ineligible solely by reason of the fact that a particular Prepaid Sublease is entered into as a subleasehold condominium.

5.13.F. Transaction Costs; Eligible Transaction Costs. "Transaction Costs" or "Documented Transaction Costs" shall include commissions, title and escrow costs and all other documented transaction costs paid or incurred in connection with the Improvement process or the Conversion process, including, without limitation, the type described in Exhibit I, which are paid or incurred by Lessee. Lessee shall be entitled to deduct all of Lessee's legitimate Transaction Costs other than that portion of the Transaction Costs which: (1) result from or relate to Lessee's application to governmental authorities for approval of a subleasehold condominium regime; (2) result from or relate to the actual approval by such governmental authorities; (3) are attributable to the processing, negotiation and approval of this Second Amended and Restated Lease; (4) would not have been incurred but for Lessee's decision to process subleasehold condominium approvals; or, (5) any combination of the foregoing. The Transaction Costs remaining after the exclusion of the costs listed in the preceding sentence are hereinafter called "Eligible Transaction Costs." That portion of a Transaction Cost (such as a commission and loan fees) which would have been incurred irrespective of the nature of the Prepaid Sublease shall not be rendered ineligible solely by reason of the fact that a particular Prepaid Sublease is entered into as a subleasehold condominium.

5.13.G. Arbitration. County shall have the right to challenge the legitimacy or amount of any Cost not later than six (6) months following delivery of the actual report furnished to County pursuant to Article 13 of this

Lease covering the period during which such cost was first reported as paid, but in no event later than seven (7) years following the date of such first reporting. 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. Where deductibility is in dispute because of the relationship of a particular cost to the subleasehold condominium regime process: (1) costs of physical improvements to the Premises shall be presumed deductible and County shall have the burden of proving they are not deductible; and, (2) other costs shall be presumed to be not deductible and Lessee shall have the burden of proving they are deductible.

5.14. Defined Net Proceeds from Marketing Prepaid Subleases. Lessee shall pay County an amount equal to twenty percent (20%) of the "Defined Net Proceeds from Marketing Prepaid Subleases"; provided, however, that any Lessee other than MDP or persons or entities affiliated with MDP shall be entitled to a credit against the twenty percent (20%) payment otherwise payable hereunder equal to the amount, if any, paid by MDP (or by Lessee as MDP's agent) to County as twenty percent (20%) of Defined Net Transfer Proceeds pursuant to Section 5.15 of the Restated Improved Parcel Lease. "Defined Net Proceeds from Marketing Prepaid Subleases" means the Gross Sublease Proceeds minus Eligible Costs. "Gross Sublease Proceeds" means the total Gross Prepaid Subrent received by Lessee from the marketing of Prepaid Subleases. Any note received shall be valued as set forth in subsection 5.07.A.

5.14.A. Eligible Costs. Eligible Costs shall mean the sum of the following:

(1) The higher of the purchase price paid by Lessee for Lessee's beneficial interest in this Lease or

ONE HUNDRED THREE MILLION FIFTY THOUSAND SEVEN HUNDRED  
THREE AND NO/100THS DOLLARS (\$103,050,703.00);

(2) Improvement Costs paid or incurred by  
Lessee after Lessee's acquisition of the Premises;

(3) Eligible Conversion Costs paid or  
incurred by Lessee after Lessee's acquisition of the  
Premises;

(4) That portion of the 7.5% Participation  
Fee actually paid to County by Lessee as of the date such  
Proceeds are being calculated including only that portion  
of the \$2.5 Million Fee which has actually been credited,  
pursuant to the schedule set forth in Exhibit D, against  
such 7.5% Participation Fee paid by Lessee;

(5) Eligible Documented Transaction Costs  
paid or incurred by Lessee after Lessee's acquisition of  
the Premises; and

(6) Eligible Documented Transaction Costs  
incurred by Lessee in conjunction with all refinancings by  
Lessee.

No return on investment to Lessee will be  
included in Eligible Costs.

5.14.B. Payment. Defined Net Proceeds from  
Marketing Prepaid Subleases shall first be paid upon the  
entering into of the first Prepaid Sublease which results  
in Gross Sublease Proceeds from all Prepaid Sublease  
Apartments theretofore marketed having exceeded all  
Eligible Costs theretofore paid or incurred. Thereafter,  
Defined Net Proceeds from Marketing Prepaid Subleases shall  
be paid on an apartment-by-apartment basis concurrently  
with the entering into of a Prepaid Sublease. Where an  
escrow has been established for purposes of the entering  
into a Prepaid Sublease, the Defined Net Proceeds from  
Marketing Prepaid Subleases shall be paid from that escrow  
if such escrow is consummated.

5.14.C. Reporting. No less frequently than monthly, Lessee shall send County an itemized statement showing all Eligible Costs incurred to date, the party to whom such costs were paid, the relationship, if any, of such payee to Lessee, all Gross Sublease Proceeds to date, and such other information as the Director may, from time to time, reasonably require. Lessee shall make available for inspection at its offices copies of billings, escrow statements and other supporting data upon request of the Director and shall thereafter, upon the written request of Director, furnish copies of specific billings, escrow statements and other supporting data. This statement may, at Lessee's discretion, be combined with the Statement required under Section 13.03.

5.15. Defined Net Transfer Proceeds. Upon those transfers described in subsection 5.15.C, 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.

5.15.A. Defined Net Transfer Proceeds Regarding Sale from MDP to Lessee. "Defined Net Transfer Proceeds" may be due from Lessee by reason of the sale from MDP to Lessee, pursuant to the terms of the Assignment, Assumption and Consent Agreement described on Exhibit J. "Defined Net Transfer Proceeds" for that transaction means the total cash and other consideration paid by Lessee minus Eligible Costs. "Eligible Costs" for purposes of this subsection means the sum of the following:

(1) ONE HUNDRED THREE MILLION FIFTY THOUSAND SEVEN HUNDRED THREE AND NO/100THS DOLLARS (\$103,050,703.00);

(2) Improvement Costs and Conversion Costs paid by MDP (as opposed to any Sublessee or any other party) between November 7, 1986, and December 9, 1986; and

(3) Documented Transaction Costs paid or incurred by MDP and directly attributable to such transaction.

5.15.B. Transfers by Lessee and its Successors. With respect to Lessee and its successors, "Defined Net Transfer Proceeds" shall mean the total cash and other consideration received by Lessee minus the Lessee's Eligible Costs, but only to the extent such Lessee has not already taken credits or otherwise recouped such Eligible Costs through payment of Defined Net Proceeds from Marketing Prepaid Subleases. Eligible Costs for purposes of this subsection shall mean the sum of the following:

(1) The higher of the purchase price paid by Lessee (or its successor in interest, where applicable) for Lessee's interest under this Lease, or ONE HUNDRED THREE MILLION FIFTY THOUSAND SEVEN HUNDRED THREE AND NO/100THS DOLLARS (\$103,050,703.00).

(2) Any Improvement Costs and Eligible Conversion Costs paid or incurred by such Lessee (as opposed to any predecessor Lessee, or any Sublessee or any other party) after the date such Lessee acquired its interest.

(3) Eligible Documented Transaction Costs in connection with purchasing this Lease and those in connection with transferring it.

(4) Eligible Documented Transaction Costs incurred by such Lessee in conjunction with all refinancings by such Lessee.

5.15.C. Transfers to Which Section 5.15 Applies. The provisions of this Section 5.15 shall apply to each of the following transfers, unless such transfers

are otherwise exempted from an Administrative Transfer Fee pursuant to subsection 5.11.B and shall not apply to a mere change in form or method and/or status of ownership:

(1) Any transfer for which an Administrative Transfer Fee is due pursuant to Section 5.11.

(2) Any transfer by Lessee of all or any portion of Lessee's beneficial interest in this Lease.

(3) 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 5.15.C, 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.

(4) 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 5.11.B.(4), but the amounts provided for in this Section 5.15 shall be collected only when sufficient interests in such an entity have been transferred so as to constitute a Change in Ownership.

(5) 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 5.15.

5.15.D. Effect of Transfer of Less than Entire Interest. If Lessee transfers less than its entire beneficial interest in this Lease, then the amount deducted for Lessee's Eligible Costs shall bear the same proportion to Lessee's total Eligible Costs as the interest being transferred bears to Lessee's entire beneficial interest in this Lease. In addition:

(1) 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 transferor's Eligible Cost base in such beneficial interest 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, Conversion Costs and Documented Transaction Costs which are allocable to or paid by such transferee and which are paid or incurred after his acquisition of a portion of the beneficial interest in this Lease. Such Eligible Cost base as increased shall be such transferee's Eligible Costs.

(2) 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.

5.15.E. 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) made under any "Contingent Payment Note" in his Eligible Costs 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 payments(s).

5.15.F. 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 to a Contingent Payment Note shall be the obligation of the Lessee making such contingency payment. The Note given by Lessee to MDP as a part of Lessee's acquisition of the Premises is a contingent payment note, and Lessee shall pay the Defined Net Transfer Proceeds with respect thereto for the account of and as agent for MDP.

5.16. 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.

5.17. 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.

5.18. 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.

5.19. Defined Net Refinancing Proceeds. If MDP or a person or entity affiliated with MDP becomes the Lessee



hereunder, and then refinances this Lease, the then Lessee 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 Eligible Costs as defined in subsection 5.14.A of the Restated Improved Parcel Lease; and, Documented Transaction Costs incurred in connection with the refinancing. 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.

5.20. Effect of Refinancing on Costs. If MDP has paid Defined Net Refinancing Proceeds pursuant to Section 5.19, then, for purposes of determining MDP's Eligible Costs under subsection 5.14.A, and for purposes of determining the total amount of deductions under Section 5.15, the original principal balance of such refinancing shall be used in place of MDP's Eligible Costs under Section 5.14 and total deductions under Section 5.15, as of the date of payment of Defined Net Refinancing Proceeds; and, thereafter, Eligible Costs under Section 5.14 and deductions under Section 5.15 shall be increased only by subsequently paid Improvement Costs, Conversion Costs, Documented Transaction Costs and, where hereinabove provided, Lessee's Administrative Transfer Fees and 7.5% Participation Fees. Similarly, if MDP pays Defined Net Refinancing Proceeds on any subsequent financings, the original principal balance of such subsequent financing, plus the Costs incurred subsequent to such financing as described in the previous sentence, shall be used in place of the amount that would otherwise have been Eligible Costs under Section 5.14 or the total deductions under Section 5.15, as of the date of payment of

Defined Net Refinancing Proceeds on such subsequent financing.

ARTICLE 6. CONTROLLED PRICES.

6.01. Limitation on Prices to be Charged.

6.01.A. General Limitations. 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 by Lessee or which Lessee has authorized to be supplied to the public on or from the Premises 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 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.

6.01.B. Gross Prepaid Subrents. Lessee has, prior to execution hereof, submitted, and Director has approved, a Schedule of Gross Prepaid Subrents.

County acknowledges that the Premises contain apartments commanding the highest rents per unit on County land in Marina del Rey; and that Lessee has projected that, on the average, the Prepaid Subleases could generate TWO HUNDRED AND NO/100THS DOLLARS (\$200.00) or more per square foot in Gross Prepaid Subrents. County agrees that it would not object to any schedule of such Gross Prepaid Subrents solely on the grounds that in the aggregate it meets or exceeds such estimated amounts. Lessee shall have the right to modify such schedule with the approval of the Director, which approval shall not be unreasonably withheld or delayed.

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. Any decision of the arbitrator, if in Lessee's favor, shall be retroactive to the date of the Director's decision, and Lessee may, if it so determines, collect rents and/or fees retroactively.

ARTICLE 7. OWNERSHIP AND DISPOSITION OF INSTALLATIONS OR IMPROVEMENTS.

7.01. Improvements Owned by Lessee During Term. Subject to the occupancy rights of Prepaid Sublessees under the Prepaid Subleases, and subject to any conveyances of airspace rights to purchasers whose Prepaid Sublease is within an approved subleasehold condominium regime (as hereinafter defined), Lessee shall continue to own all

Improvements, 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 Improvements and all structures, buildings, docks, improvements and all alterations, additions, and betterments thereto, and all other improvements hereafter 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.

7.03. Duty to Remove. In the event of expiration or sooner termination of this Lease, the County may, upon written notice, require the Lessee to remove, at the sole cost and expense of Lessee, and not later than ninety (90) days after the expiration or sooner termination of this Lease, all Improvements and all structures, buildings, docks, and improvements of any kind whatsoever hereafter placed or maintained on the Premises, whether below, on, or above the ground, whether placed or maintained by Lessee or others, including, but not limited to, wharves, piers, docks, slips, piling, concrete foundations, structures and buildings; and 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, acceptable to the Director, as the same were in at the time of first occupation thereof by Lessee or others, ordinary wear and tear excepted, and shall, in any event, leave the surface of the ground in a level, graded condition, with no excavations, holes, hollows, hills or humps.

7.03.A. County's Right to Remove Improvements. Should Lessee fail to so remove said Improvements and all 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 Improvements and structures, buildings, docks and improvements. Should Lessee fail to so remove said appliances 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 net cost or expense thereof in excess of any consideration received by County as a result of said sale, removal, or demolition.

7.04. 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 to the extent otherwise owned by Lessee. 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 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.C. 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.

8.02.A. Judicial Defaults. Notwithstanding any other provision of this Lease, 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, provided Lessee uses reasonable due diligence in pursuing whatever is required to obtain release from or reversal of such process, order, or decree.

8.02.B. Noncurable Defaults. Notwithstanding anything else contained in this Lease, Lessee shall not be considered in default under the provisions of this Lease by failing to cure a default, whether or not caused by Lessee, when Lessee has used reasonable due diligence in attempting to cure the default and it is physically impossible to do so.

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 previously accrued or then accruing

against Lessee, 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 subsection 8.02.B hereof.

8.04. Damages. Should County elect to terminate this Lease under the provisions of subsection 8.03.A or 8.03.C, 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 improvements as provided in subsection 7.03.A, attorney's fees, court costs, Administrative Transfer Fees, Defined Net Transfer and Refinancing Proceeds and Defined Net Proceeds from Marketing Prepaid Subleases, 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 and the cost 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 provided for in subsection 5.10.G, above.

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.

#### ARTICLE 9. MORTGAGEE PROTECTION.

9.01. Right to Cure Lessee Default. Any trustee, beneficiary, mortgagee, or lender under a deed of trust, mortgage, or similar security instrument of the Lessee 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, 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 of Lessee but not of Prepaid Sublessees as provided herein. Such notice shall be sent by registered mail or certified mail, return receipt requested, postage prepaid, simultaneously with the notice or notices to Lessee referred to in Section 8.01 above, to each such Encumbrance Holder addressed as shown on the deed of trust, mortgage, or security instrument, or as Director shall otherwise be instructed in writing by such Encumbrance Holder. An Encumbrance Holder 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 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 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. If, after any such payment by an Encumbrance Holder, the Lessee pays the same or any part thereof to County, County shall promptly refund said payment to such Encumbrance Holder.

(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 cures, remedies and corrects the default within ten (10) days after the termination of Lessee's cure period as provided in subsection 8.01.B; 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 commences and thereafter continues to use reasonable due diligence to perform whatever may be required to cure the particular default; in the event that 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 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 the Lessee has failed or ceased to pursue the cure with reasonable due diligence; or

(b) 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, (a) 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 diligence, said sixty (60)-day period shall be extended by the time necessary to complete such foreclosure proceedings, or (b) if said 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 diligently pursue the performance of the thing or work required to be done to cure, correct, and remedy said default.

9.03.B. Noncurable Defaults. If a particular Event of Default is impossible to cure, the Encumbrance Holder shall not be obligated to cure the default.

9.04. Nonmerger. In the event that an Approved Encumbrance and the Lessee's interest under this Lease shall at any time become vested in one owner, the lien of the Approved Encumbrance shall not be destroyed or terminated by application of the doctrine of merger. In

such a circumstance, for purposes of this Lease, the applicable time periods and performances required of the party holding both the Lessee's interest and the Approved Encumbrance would be the time periods and performances specified for the Lessee as opposed to an Approved Encumbrance Holder.

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. A "Sublessee" shall be the person or entity to whom such right to use is conveyed by a Sublease.

10.01.B.   Prepaid Subleases - Noncondominiums.

(1) Unless and until Lessee shall have actually established a subleasehold condominium regime pursuant to applicable law and this Lease, Lessee shall be entitled to enter Prepaid Subleases on the Approved Prepaid Sublease Form for each and every Apartment Approved for Prepaid Subleases. Except as specifically otherwise provided in subsection 6.01.B and Section 6.02 relating to pricing, and in subsection 10.01.B(2) relating to use of the Approved Prepaid Sublease Form, no further approval of County or Director shall be required for Lessee to enter into Prepaid Subleases on the Approved Prepaid Sublease Form described below.

(2) The Prepaid Sublease offered pursuant to this subsection 10.01.B shall be on the form, a Fictitious Copy of which was recorded in the Office of the

County Recorder of Los Angeles County on June 30, 1987, as Instrument No. 87-1042428 ("Approved Prepaid Sublease Form"). Lessee shall not make any changes to the Approved Prepaid Sublease Form without the prior written approval of the Director, which approval shall not be unreasonably withheld. Lessee shall furnish County with full and complete copies of each Prepaid Sublease upon request, at no expense to County. No Prepaid Sublease created pursuant to this subsection 10.01.B shall be valid unless on the Approved Prepaid Sublease Form, as such form may be modified by Director and Lessee as provided for in this subsection 10.01.B.

(3) All advertising and all documentation must comply with the Advertising Clearance Procedure set forth in Exhibit K attached hereto and incorporated herein. If Director determines that Lessee is not complying with the Advertising Clearance Procedure, he shall give written notice to Lessee of such fact describing the manner in which Lessee is not complying. Lessee shall have ten (10) business days to cure such noncompliance. If Lessee fails to do so, then the Director shall have the right to immediately seek appropriate injunctive relief from any court of competent jurisdiction to prevent any further execution of, or offerings of, Prepaid Subleases until Lessee again begins to comply with such Advertising Clearance Procedure. In any such proceeding, Lessee acknowledges that if the Director can demonstrate such noncompliance by Lessee, damages are inadequate and County will suffer irreparable harm unless such noncompliance is enjoined, and Lessee agrees that in such case the Director shall be entitled to injunctive relief. The parties agree that nothing contained herein shall prevent Lessee from resuming such offerings of, or executions of, Prepaid Subleases if, after any restraining order or injunction is

entered, Lessee thereafter complies with the Advertising Clearance Procedure.

(4) When the Director in his sole discretion as provided for in Exhibit K herein so decides, any advertising and any printed material issued in connection with Prepaid Subleases offered under this subsection 10.01.B shall contain the following disclosure in conspicuous type:

THE CONTEMPLATED ARRANGEMENT IS A SUBLEASE EXPIRING ON JULY 29, 2067, AND WILL NOT RESULT IN YOUR OWNING ANY PARTICULAR APARTMENT OR ANY PART OF THE APARTMENT COMPLEX. YOU WILL HAVE NO ROLE IN THE MANAGEMENT OF THE APARTMENT COMPLEX. AS MORE FULLY DESCRIBED IN THE SPECIAL NOTICE AND ACKNOWLEDGEMENT, THE CONTEMPLATED ARRANGEMENT IS SIMPLY THE PAYMENT FOR THE RIGHT TO OCCUPY AN APARTMENT FOR THE ENTIRE TERM OF THE SUBLEASE, NOT THE PURCHASE AND SALE OF A FEE INTEREST IN THE APARTMENT ITSELF.

In addition, the Director shall have the power, when he so determines in his sole discretion, to require the following additional sentence to be added to such disclosure:

"YOU ARE ADVISED TO HAVE YOUR ATTORNEY EXPLAIN THIS ARRANGEMENT TO YOU."

(5) Lessee shall cause each and every prospective Prepaid Sublessee pursuant to this subsection 10.01.B to receive, and to acknowledge in writing having received, the Special Notice and Acknowledgement, a copy of which is attached hereto and incorporated herein as Exhibit L.

(6) The Gross Prepaid Subrent paid by a Prepaid Sublessee to Lessee for the Prepaid Sublease shall be equal to or greater than ninety percent (90%) of the Gross Prepaid Subrent listed for that apartment on the latest Schedule of Gross Prepaid Subrent approved by the

County under Article 6 of this Lease, minus the allowances, discounts and rebates as provided herein. Provided, however, the amount of such allowances discounts and rebates allowed to be subtracted from the Gross Prepaid Subrent shall be limited to ten percent (10%) of the Gross Prepaid Subrent determined prior to reduction for such allowances, discounts and rebates. No Prepaid Sublease shall be valid unless the Gross Prepaid Subrent paid by the Prepaid Sublessee complies with the requirements of this subsection (6). The County will, upon request by Lessee and after Lessee's written certification that the approved Prepaid Sublease form has been used or that any changes from such form have been specifically identified to County, promptly provide a written acknowledgement that a proposed Prepaid Sublease is on the approved form for a Prepaid Sublease, that the Gross Prepaid Subrent is an amount approved by the County, and that the issuance of the Prepaid Sublease has been authorized by the County. The County will cooperate with Lessee in providing such further documents as a Prepaid Sublessee's institutional mortgagee may reasonably request.

10.01.C. Prepaid Subleases - Condominium Units. Providing that Lessee complies with the requirements of this subsection 10.01.C, Lessee shall be entitled to establish a subleasehold estate condominium regime on 300 to all 600 of the Apartments Approved for Prepaid Subleases, and thereafter to sell the subleasehold estate condominium units so established.

(1) Lessee shall comply with the requirements of the Subdivision Map Act, the Subdivided Lands Act, the Coastal Act and any other requirements imposed by law with respect to the establishment of a condominium regime and the conversion of residential apartments to condominiums. The Owners Association



("Owners Association") formed in connection therewith shall be a corporation. County's approval of a condominium regime pursuant to this Lease is limited to County's role as Landlord hereunder, and shall have no affect on governmental approvals that County or any other public agency may be requested to furnish in order to comply with applicable laws and ordinances.

(2) The condominium regime shall apply only to Lessee's interest under this Lease, such that the condominium regime and all units and other interests conveyed therein expire upon the expiration or, subject to Section 10.05, sooner termination of this Lease. In that regard, the condominium regime may include all 600 Apartments Approved for Prepaid Subleases, but must include all such apartments which are not already subject to an agreement to enter a Prepaid Sublease on the Approved Prepaid Sublease Form at the time of the conveyance of the first subleasehold condominium unit, and, in any event, must include no fewer than 300 of the Apartments Approved for Prepaid Subleases. Lessee shall use Lessee's best efforts to cause all Apartments Approved for Prepaid Subleases to be included within the subleasehold condominium regime, including those apartments which are subleased on the Approved Prepaid Sublease Form prior to the establishment of the condominium regime. Apartments shall be deemed to be included within the condominium regime and the condominium regime shall be deemed established when such apartments and their sublessees are subjected to and bound by the Covenants, Conditions and Restrictions and other documents described in subsection 10.01.C(5), and the airspace for at least one (1) apartment has been conveyed to an individual purchaser pursuant thereto.

(3) Once the condominium regime has been established in accordance with this Lease, then any subsequent Prepaid Sublease shall be accomplished by means of a sale of a subleasehold estate condominium unit pursuant to the condominium regime as opposed to the Approved Prepaid Sublease Form. Notwithstanding the foregoing, so long as the condominium regime includes no fewer than 300 of the Apartments Approved for Prepaid Subleases, Lessee shall be entitled to use the Approved Prepaid Sublease Form in those transactions which had been entered into prior to the establishment of the subleasehold condominium regime.

(4) County's entitlement to the 7.5% Participation Fee, Administrative Transfer Fee and Defined Net Proceeds from Marketing Prepaid Subleases as a result of Prepaid Subleasing of the Apartments Approved for Prepaid Subleases shall not be diminished by the form, establishment and structure of the condominium regime. As of the date of this Lease, the parties contemplate that the subleasehold estate condominium regime will be structured substantially as follows: Lessee shall enter into a master sublease with MARINA CITY CONDOMINIUMS, A California Limited Partnership ("Snyder/Marina"), on the form attached hereto and incorporated herein as Exhibit T (the "Master Condominium Sublease"); Snyder/Marina will obtain appropriate governmental approvals, including, without limitation, approval and recordation of a final subdivision map and condominium plan, and issuance of a final subdivision public report (if required) by DRE; Snyder/Marina will impose covenants, conditions and restrictions, create the Owners Association in accordance with subsection 10.01.C(1) above, and take all other necessary or appropriate steps common to the establishment of a subleasehold condominium

regime; and, Snyder/Marina will sell the subleasehold condominium units in accordance with this Lease.

In connection with the foregoing:

(a) the creation of the Master Condominium Sublease shall not entitle County to an Administrative Transfer Fee, Defined Net Transfer Proceeds or Defined Net Proceeds from Marketing Prepaid Subleases; and (b) conversion of apartments previously subleased on the Approved Prepaid Sublease Form to the approved condominium structure shall not result in any Administrative Transfer Fees being due provided that all applicable fees had been paid at the time of the creation of the subleasing on the Approved Prepaid Sublease Form, and that there is no Change in Ownership of the Prepaid Sublessee's interest.

(5) Certain exhibits to the Master Condominium Sublease are not included in Exhibit T. Those Exhibits may not be completed without the prior written approval of both County and Approved Encumbrance Holders, which approval shall not be unreasonably withheld. In addition, Lessee shall not impose any Covenants, Conditions and Restrictions, Corporate Bylaws, Association Budget, Rules and Regulations or any other management or occupancy document on the subleasehold condominium regime without the prior written approval of both the Director and the Approved Encumbrance Holder(s). Similarly, Lessee shall not amend any condominium document or adopt any final condominium structure without the prior written approval of both the Director and the Approved Encumbrance Holder(s). Once a document or structure is approved, it shall not be changed without the prior written approval of both the Director and the Approved Encumbrance Holder(s). In all cases, Director and the Approved Encumbrance Holder(s) shall not unreasonably withhold their approval. Although the parties contemplate that some changes may be required

by DRE, it shall not be unreasonable for the Director or the Approved Encumbrance Holder(s) to disapprove a change required by DRE if that change would alter the rights or obligations of the disapproving party under this Lease or the loan documents of any Approved Encumbrance Holder(s). Lessee shall furnish County and the Approved Encumbrance Holder(s) with full and complete copies of all documentation, at no expense to County or the Approved Encumbrance Holder(s).

(6) All advertising and all documentation must comply with the Advertising Clearance Procedure in Exhibit K. All advertising and all documentation shall make it clear that the condominium unit offered is a subleasehold estate expiring in accordance with the terms of this Lease. If Director determines that Lessee is not complying with the Advertising Clearance Procedure, he shall give written notice to Lessee of such fact describing the manner in which Lessee is not complying. Lessee shall have ten (10) business days to cure such noncompliance. If Lessee fails to do so, then the Director shall have the right to immediately seek appropriate injunctive relief from any court of competent jurisdiction to prevent any further execution of, or offerings of, Prepaid Subleases until Lessee again begins to comply with such Advertising Clearance Procedure. In any such proceeding, Lessee acknowledges that if the Director can demonstrate such noncompliance by Lessee, damages are inadequate and County will suffer irreparable harm unless such noncompliance is enjoined, and Lessee agrees that in such case the Director shall be entitled to injunctive relief. The parties agree that nothing contained herein shall prevent Lessee from resuming such offerings of, or executions of, Prepaid Subleases if, after any restraining order or injunction is entered, Lessee thereafter complies with the Advertising

Clearance Procedure. Director shall have the power, when he so determines in his sole discretion, to require the following additional sentence to be included in any advertising:

"YOU ARE ADVISED TO HAVE YOUR ATTORNEY EXPLAIN THIS ARRANGEMENT TO YOU."

(7) The Gross Prepaid Subrent paid by a subleasehold condominium purchaser to Lessee for the subleasehold condominium shall be equal to or greater than ninety percent (90%) of the Gross Prepaid Subrent listed for that apartment on the latest Schedule of Gross Prepaid Subrent approved by the County under Article 6 of this Lease, minus the allowances, discounts and rebates as provided herein. Provided, however, the amount of such allowances discounts and rebates allowed to be subtracted from the Gross Prepaid Subrent shall be limited to ten percent (10%) of the Gross Prepaid Subrent determined prior to reduction for such allowances, discounts and rebates. No Prepaid Sublease for a subleasehold condominium shall be valid unless the Gross Prepaid Subrent paid by the Prepaid Sublessee complies with the requirements of this subsection (7). The County will, upon request by Lessee and after Lessee's written certification that the approved subleasehold condominium structure and documentation have been used or that any changes from such documentation have been specifically identified to County, promptly provide a written acknowledgement that the Gross Prepaid Subrent is an amount approved by the County, and that the conveyance of the subleasehold condominium has been authorized by the County. The County will cooperate with Lessee in providing such further documents as a Prepaid Sublessee's institutional mortgagee may reasonably request.

(8) County and Lessee contemplate that the STATE OF CALIFORNIA DEPARTMENT OF REAL ESTATE ("DRE") will

issue a final subdivision public report as a result of Lessee's compliance with the Subdivided Lands Act, and that that report will contain all significant disclosures relating to the subleasehold condominium regime. Lessee shall promptly furnish County with a copy of such report following its issuance, at no expense to County.

Nonetheless, Lessee shall cause each and every prospective Prepaid Sublessee of a subleasehold condominium unit to receive, and to acknowledge in writing having received, the Supplemental Disclosure Notice and Acknowledgement, a copy of which is attached hereto and incorporated herein as Exhibit S. If, for some reason, DRE fails to issue such a report, then Lessee shall add such additional disclosures to the Supplemental Disclosure Notice and Acknowledgement as County may reasonably require, prior to selling any subleasehold condominium units. If the parties cannot agree upon the final version of the Supplemental Disclosure Notice and Acknowledgement within ten (10) days of Lessee having satisfied every other requirement necessary for the establishment of a subleasehold condominium regime and sale of subleasehold condominium units, then the matter shall be resolved by arbitration in accordance with Section 16.16.

(9) The establishment of a subleasehold condominium regime shall in no way operate to increase County's obligations under this Lease.

10.01.D. Operation of Three (3) Towers.

(1) Lessee shall remain responsible for the maintenance, repair, restoration and operation of the three (3) towers containing the Apartments Approved for Prepaid Subleases, and shall operate and maintain such towers as an integrated part of its overall operation of the Premises. Lessee shall establish and maintain a capital fund reserve account with respect to the Apartments Approved for Prepaid Subleases in accordance with the

Approved Operation Budget, a copy of which is attached hereto and incorporated herein as Exhibit M. This fund shall be used for the purpose of maintaining the Premises as required by this Lease, and for replacement of functional building systems, but funds so collected may only be used for maintenance or refurbishment of those portions of the Premises and for the three (3) towers, as provided in Exhibit M, and only a proportionate amount of such total costs shall be borne by the Prepaid Sublessees as provided for in Exhibit M.

(2) Lessee shall be entitled to charge Sublessees for their proportionate share of the actual costs of operation, in accordance with the Approved Operation Budget and for their share of the capital fund reserve, but all such money collected shall be used for maintenance, replacement and rehabilitation with no premium or collection charge accruing to Lessee. This provision shall not affect Lessee's right to charge (a) a transfer fee and obtain a profit therefor as provided in subsection 5.12.D, and (b) a reasonable management service fee; provided such service fees shall not exceed the fees customarily charged for such services by nonrelated management companies.

(3) Prepaid Sublessees shall not be afforded reduced rates or priority considerations for access to boat slip facilities located on the Premises. Club memberships or other amenities shall not be provided free of charge or on a reduced-fee basis in such a manner as to prevent assessment of County Percentage Rent.

10.01.E. Commercial Subleases. "Commercial Subleases" shall mean a Sublease under which the Sublessee is engaging in any activity conducted on the leasehold by Sublessee which generates Gross Receipts to such Sublessee as defined in subsection 5.08.I of this Lease.

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. It shall not be unreasonable for the Director to disapprove a commercial sublease, amendment or assignment which conflicts with the terms of this Lease or upon other reasonable grounds. 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 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.F. Noncommercial Subleases. Lessee may, without prior approval of Director, sublease portions of the Premises for a period of not to exceed one (1) year for personal, noncommercial uses, including, but not limited to, single residential units, boat slips and dry storage racks. Lessee may at any time request approval by Director of a plan to sublease specific residential units for stated periods in excess of one (1) year other than those for Prepaid Subleases as to which approval has been given in this Lease. With the exception of Prepaid Subleases which comply with either subsection 10.01.B or subsection 10.01.C, any such specific sublease for a term in excess of one (1) year shall, however, specifically provide that it shall be subject to the absolute power of County at its sole election



to cancel such sublease at any time. No cooperative dwelling plan shall be permitted.

10.01.G. 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 5.08 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 5.08.

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 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.A, below, with respect to the proposed financing and the proposed Encumbrance Holder, as well as any other reasonable factors. 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. A Prepaid Sublessee shall be allowed to encumber its Prepaid Sublease, and its encumbrance holders shall have the rights provided in subsection 10.02.C. Any encumbrances created

by Lessee on the Premises shall be subject and subordinate to the terms and conditions of the Prepaid Subleases.

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 at a foreclosure sale of trust deed or at a judicial foreclosure or a voluntary conveyance to the Encumbrance Holder in lieu thereof; or

(2) A subsequent transfer of this Lease 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.

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 to the extent otherwise provided in subsection 9.03.B, 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 to the extent otherwise provided in subsection 9.03.B, 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.

10.02.C. Encumbrances of Prepaid Subleases. A Prepaid Sublessee may, without the consent of the County, give, assign, transfer, mortgage, hypothecate, grant control of, or encumber (collectively "Encumber" or "Encumbrance") his or her or its Prepaid Sublease interest and the subleasehold estate so created to a lender on the security of such subleasehold estate, and may cause such Sublessee's unit to be subject to assessment liens of the Owners Association described in subsection 10.01.C(1). In the event a Prepaid Sublessee does so Encumber a Prepaid Sublease, then: (1) any such Encumbrance holder and its transferees and assigns shall have the same rights to remain in possession of the apartment subject to the Prepaid Sublease, pursuant to and subject to the terms and conditions of such Prepaid Sublease, as such Prepaid Sublessee has under Section 10.05 of this Lease; and (2) any such Encumbrance holder shall be exempt from the Administrative Transfer Fee as provided in subsection 5.12.A, hereof.

Lessee shall have the right to Encumber a Prepaid Sublease through the utilization of an enforcement deed of trust, the purpose of which is to enable Lessee to enforce such rights as it will have under the Prepaid Sublease and to provide the Prepaid Sublessee with certain protections from arbitrary action by Lessee. Any enforcement by Lessee of such deed of trust shall be exempt from the Administrative Transfer Fee as provided in subsection 5.12.A.

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 fifty percent (50%) of the interests of the partnership acquires the interest of another general partner owning fifteen percent (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 the general partner in a partnership which owns the leasehold. 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.A. Approval Not Unreasonably Withheld.

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: the financial terms to the extent, if any, that they may affect the efficient operation or management of the Premises; the financial condition of the proposed assignee; any adverse impact on the Marina del Rey area that may result from the reputation of the proposed assignee or the management of the Premises by the proposed assignee or the proposed assignee's

manager, or any of the foregoing. Nothing herein shall preclude County from considering other reasonable factors.

10.03.B. 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.

10.03.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.

10.04. Terms Binding Upon Successors and Sublessees. Except as specifically otherwise provided 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, Defined Net Transfer Proceeds

and Defined Net Refinancing 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, a Prepaid Sublessee, a Commercial Sublessee whose remaining Sublease term, including rights to extend, is less than three (3) years, and/or a Commercial Sublessee 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 apartment or portion of the Premises affected by his Prepaid Sublease or Sublease pursuant to and subject to the terms and conditions of such Prepaid Sublease or Subleases. County shall be entitled to consider the potential impact of the financial terms of such Commercial 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 the Prepaid Sublease or Sublease as he or she would have had if the Lessee had remained in possession. Each Prepaid Sublease and Sublease shall provide that the Sublessee agrees to attorn to and recognize County as Landlord under such Sublease in the event of such an early termination of this Lease and the Sublessee agrees to execute any documents requested by County in order to further document the terms of such Sublessee's continued occupation of the apartment or portion of the Premises affected by his Sublease. If County fails to give the benefits 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 any Prepaid Sublease and to such Encumbrance holder's successors in interest and

transferees. No Prepaid Sublessee, Commercial Sublessee, Encumbrance holder or any other party shall be entitled to the benefits of this Section 10.05 where a basis of the default of Lessee or its successors leading to early termination of this Lease was the failure of such Lessee or its successor(s) to restore the improvements on the Premises following an Uninsured Loss as defined in subsection 14.01.A giving rise to termination thereunder or Partial Condemnation giving rise to termination under Section 15.04. In no event shall County have any obligation to restore the improvements on the Premises.

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, those risks ordinarily defined in "extended coverage," and those risks covered by an "All-Risk" policy. Lessee shall not be required to insure against loss and damage due to earthquake, except to the extent otherwise required by Lessee's lenders as to those buildings containing Prepaid Subleased Apartments; provided, however, that, if earthquake insurance is not provided, the disclosures required by subsection 10.01.B(4) and subsection 10.01.C(6) shall be modified to reflect the fact that earthquake insurance is not being offered. Lessee shall also provide "business interruption" or "continuous operation" coverage payable to County equal to one (1) year's Minimum Annual Rent.

11.01.A. Amount of Coverage. Such insurance shall be in an amount equal to 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 reasonably satisfactory to County. In no event, however, shall any insurance company providing insurance have a rating, as listed in the then current Best's Key Rating Property Casualty Guide, of less than XV.A.

11.01.B. Form of Policy. All such insurance policies, along with their endorsements, shall name County as an additional insured and any Encumbrance Holder as a 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 on a monthly draw basis to pay for the restoration of the Improvements. To the extent required by an Encumbrance Holder at the time of County approval of its encumbrance, such insurance shall be held and disbursed by a neutral insurance trustee selected by mutual agreement of the parties, according to procedures agreed to by the parties. Should the parties fail to agree upon an insurance trustee or disbursement procedures within thirty (30) days of the loss, the matter shall be resolved by arbitration in accordance with Section 16.16. In the event of such loss Lessee shall be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and improvements except as otherwise provided in Section 14.01, irrespective of the existence of insurance. County shall reimburse Lessee for said rebuilding or replacement out of and to the full extent of any proceeds of said insurance held by County as payments are required for said purposes.

Duplicate policy or policies evidencing such insurance coverage, in such form as shall be acceptable to County, shall be filed with Director 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.

11.01.C. Allocation of Insurance Proceeds if Destruction. Notwithstanding any contrary provisions in this Lease, if a complete or partial destruction of the Premises occurs and one or more Prepaid Sublessees permanently loses the use of their Prepaid Subleased apartments and the damage or destruction is an Insured Casualty, then the proceeds therefrom shall be allocated as follows:

First: To the extent required under this Lease, to repair such damage or destruction if it can be repaired, or to protect, repair and restore the remainder of the Premises if the Premises cannot be fully repaired;

Second: To pay any Prepaid Sublessee and their Encumbrance holder(s) as their respective interests may appear who have permanently lost the use of an apartment subject to a Prepaid Sublease, the fair market value of such Prepaid Sublease excluding any Prepaid Sublease Bonus Value thereof, provided, further, that if there are insufficient proceeds, the payment to each such Prepaid Sublessee and their respective Encumbrance holders shall be reduced proportionately; as used in this Lease, "Prepaid Sublease Bonus Value" shall mean the then present value of the excess for the duration of such Prepaid Sublease of the fair market ground rent attributable to the apartment over

the ground rent attributable thereto which is reserved by this Lease;

Third: To the County in an amount sufficient to compensate it for its loss of rent and reversionary interest and, to the extent so received, Shadow Rent shall abate accordingly; and

Fourth: To the Encumbrance Holders, County and Lessee as their interests may appear.

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. Each Sublease shall contain a provision obligating the Sublessee to indemnify and defend Lessee and County from all claims, loss and liability arising out of the Sublessee's use of the Premises.

11.03. Liability Insurance. Except as provided in Section 11.06, below, 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 AND NO/100THS DOLLARS (\$5,000,000.00); 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 casualty 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 on 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 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 insurance 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.

11.07. Rights of Third Parties to Provide Insurance. In the event that Lessee fails to obtain the insurance required by this Lease, and has not adopted an approved program of self-insurance under Section 11.06, then the Five Authorized Mortgagees (as defined in subsection 14.01.A(2)(c)), the Five Condominium Mortgagees (as defined in subsection 14.01.A(2)(d)), and the Owners Association shall have the right to place such insurance in accordance with the provisions of this section.

11.07.A. Meeting. At any time following receipt of a notice of cancellation or notice of nonrenewal from Lessee's insurance carrier, the Five Authorized Mortgagees, Five Condominium Mortgagees and Owners Association shall each have the right to schedule a meeting of all three parties in order to determine who, if any, among them will place insurance. The Director shall also send a representative to this meeting if reasonably possible, although that representative shall attend for informational purposes only.

11.07.B. Notice. The party attempting to schedule a meeting shall send written notice of the time

and place of the meeting to the other two and to County parties no later than ten (10) days prior to the date for the meeting set forth in the notice. The meeting shall be scheduled during regular business hours.

11.07.C. Placement of Insurance. The parties shall place insurance as agreed at the meeting. Insurance so placed shall cure any default under this Lease attributable to the failure to place insurance so long as the placed insurance satisfies the requirements of this Lease.

11.07.D. Failure to Agree; Priority of Right. In the event that the parties fail to agree regarding the placement of insurance, if more than one of the parties attempts to schedule a meeting, or if more than one of the parties attempts to place insurance then this subsection 11.07.D shall apply.

(1) If only one of the parties is willing to place insurance which satisfies all of the requirements of this Lease, then that party shall place such insurance.

(2) If more than one party desires to place insurance which satisfies all of the requirements of this Lease, then the right to place such insurance shall belong to the parties in the following order: the Owners Association, the Five Condominium Mortgagees, and last to the Five Authorized Mortgagees.

## 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 acknowledges 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 107.1 of the California Revenue and Taxation Code. Lessee shall include a statement in all Prepaid Subleases to the effect that the subleasehold estate thereby created may also be subject to possessory interest taxes and that Prepaid Sublessees shall be responsible for any and all possessory interest taxes on the interest created by the Prepaid Sublease.

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, 7.5% Participation Fee, Defined Net Proceeds from Marketing Prepaid Subleases, Defined Net Transfer Proceeds, Defined Net Refinancing Proceeds and other sums due hereunder, Lessee and all Sublessees, except those Short-Term Sublessees or Prepaid Sublessees who either (a) are not conducting a business, or (b) who are conducting a business of the type as to which County is not entitled to Percentage Rent (such as residential rentals by a Prepaid Sublessee or Sublessee or the businesses which are excepted from the provisions of subsection 5.08.F), 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 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 5.08, 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, the accuracy of the monthly statements required by subsection 5.08.A, and the accuracy 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 revenues due County for the period audited, then Lessee shall pay County's 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 is 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 commenced on November 7, 1986, and ends on the last day of November 1987. Each subsequent accounting year shall commence on December 1 and expire on the following November 30, and the term "accounting year" shall be each such 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." Lessee

shall at any time have the right to change to a calendar year, in which case appropriate conversion adjustments shall be made, but in the event Lessee changes to a calendar year, the term "Lease Year" shall retain its original meaning.

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 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 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 availability of insurance proceeds except as otherwise provided in this Section 14.01. Restoration shall be conducted in accordance with Article 4.

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 which was not required to be insured

against and which was not actually fully insured against (such a cause being hereinafter referred to as an "Uninsured Loss"), in accordance with this subsection 14.01.A. Lessee may exercise this option only where all of the following occur:

(1) As soon as reasonably practicable following the Uninsured Loss, Lessee shall secure the Premises and all improvements thereon against trespassers and preclude the occupancy and use by all persons of those portions of the Premises and improvements thereon which are unsafe or unfit for use.

(2) No more than sixty (60) days following the Uninsured Loss, Lessee shall notify County of its election to terminate this Lease; to be effective, this notice must include all of the following:

(a) A copy of Lessee's notification to the Approved Encumbrance Holder(s) of Lessee's intention to exercise his option to terminate;

(b) Lessee's certification under penalty of perjury that Lessee has delivered or mailed such notification to the Approved Encumbrance Holder(s) in accordance with Section 16.09;

(c) Lessee's certification under penalty of perjury that Lessee has notified the "Five Authorized Mortgagees" in accordance with the provisions of subsection 9B(1)(b)(i)(A) of the Approved Prepaid Sublease Form; as used herein, Five Authorized Mortgagees shall have the same meaning as it has in the Approved Prepaid Sublease Form (subsection 9B(1)(b)(i)(A));

(d) Lessee's certification under penalty of perjury that Lessee has notified the "Five Condominium Mortgagees" in accordance with the provisions of Article 1A of the Master Condominium Sublease; as used herein, the Condominium Mortgagees shall have the same

meaning as the term "Five Authorized Mortgagees" under the Master Condominium Sublease (Article 11A); and,

(e) Lessee's certification under penalty of perjury that Lessee has notified the Owners Association in accordance with Article 11A of the Master Condominium Sublease.

Notice complying with this subsection 14.01.A(2)(e) is hereinafter called the "Casualty Termination Notice." County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified all of the above-named parties regarding Lessee's desire to terminate this Lease. County shall have no responsibility to determine if Lessee sent notice to any other person, party or entity.

(3) No later than sixty (60) days following the Uninsured Loss, Lessee shall, at its expense, deliver to County copies of all reports to or for Lessee by engineers, architects, general contractors and/or other experts engaged for the assessment of the damage to the improvements located on the Premises and for the estimation of the cost of repair or reconstruction thereof, as well as copies of any financial analysis or appraisal prepared by or for Lessee in connection with the repair or reconstruction of such improvements or Lessee's decision regarding termination of this Lease.

(4) No more than thirty (30) days following the giving of the Casualty Termination Notice, or such longer time as may be reasonably necessary, Lessee shall, at Lessee's expense: remove all debris and other rubble from the Premises and improvements located thereon; continue to secure the Premises and improvements located thereon against trespassers and preclude the occupancy and

use of those portions of the Premises and improvements which are unsafe or unfit for use. As soon as reasonably possible following the expiration of the time provided in Article 18 without this Lease having been assigned and assumed pursuant thereto, at County's election, Lessee shall remove all remaining improvements on the Premises. The obligations in this subsection shall be personal obligations of Lessee and shall survive the termination of this Lease.

(5) No more than sixty (60) days following the Uninsured Loss, Lessee shall deliver to County a quitclaim deed to the Premises, in recordable form, which, absent this Lease being kept in full force under Article 18, terminates the leasehold estate under this Lease free and clear of any and all Encumbrances and Subleases. This quitclaim deed shall be cancelled and destroyed if termination of this Lease is prevented under Article 18.

(6) Termination is not delayed or prevented in accordance with Article 18.

(7) In the event that Lessee commences restoration following an Uninsured Loss, and during the restoration process discovers a condition which has a material negative impact on the feasibility of completing the restoration, then Lessee shall have a revived option to terminate this Lease as follows:

(a) The condition also must not have been actually known to Lessee or discoverable by Lessee through reasonable investigation prior to the commencement of restoration.

(b) Lessee shall send County a Casualty Termination Notice identifying the previously unknown condition within thirty (30) days of Lessee's discovery of such condition, together with any new reports and information of

pe set forth in subsection 14.01.A(3). With the  
ion of the shorter time period contained in the  
ing sentence, the provisions of subsections 14.01.A(1)  
h (6), both inclusive, and the provisions of  
e 18 shall apply to the new Casualty Termination

14.01.B. Option to Terminate for Insured

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

(1) No more than sixty (60) days following  
ured loss, Lessee notifies County of its election to  
te this Lease and within one hundred and  
(180) days thereafter delivers to County all  
s owed by the insurer to Lessee after satisfying  
s obligations to the Prepaid Sublessees and their  
ance holders under this Lease; such obligations to  
in this subsection (1) and those in subsection (2)  
arrive the termination of this Lease; and

(2) No more than sixty (60) days following  
s, Lessee delivers to County a quitclaim deed to the  
s, in recordable form, terminating the leasehold  
free and clear of any and all Encumbrances and  
es.

(3) The Insured Casualty occurs within the  
ve (5) years of the term.

14.01.C. Effect of Failure to Restore Where Lease  
minated. In the event that this Lease is not  
ed in accordance with subsection 14.01.A following  
ured Loss, the provisions of this subsection 14.01.C  
ply.

(1) Lessee shall be obligated to restore the improvements on the Premises and perform all other obligations contained in this Lease; provided, however, that if such termination is prevented by the operation of Article 18, then Lessee's liability shall be limited to that liability which Lessee would have had if termination had occurred and the Lessee's assignee shall have the obligation to restore the improvements on the Premises and perform all other obligations contained in this Lease.

(2) The subsequent failure to complete restoration of the improvements shall be an Event of Default under this Lease, and the cost of such restoration shall be an additional item of recoverable damages under subsection 8.04.C from the party who is responsible for such restoration under the terms of subsection 14.01.C(1).

(3) County shall not terminate Prepaid Subleases along with this Lease for Lessee's failure to restore (as opposed to an Assignee's failure to restore) unless it shall first have given written notice of such default to the Owners Association, Five Authorized Mortgagees and the Five Condominium Mortgagees. Such notices shall be sent concurrently with the default notices sent to Lessee and the Approved Encumbrance Holder(s) and shall constitute the notice called for by subsection 9B(1)(c)(i)(A) and Article 11A of the Approved Prepaid Sublease Form and the Master Condominium Sublease, respectively. County need not notify any mortgagee other than the "Five Authorized Mortgagees" and "Five Condominium Mortgagees" designated as such by Lessee in the most recently received report under Section 16.21. Such notices shall be sent to the addresses given in such report, by the means provided for in Section 16.09.

(4) Lessee may prevent termination of this Lease in accordance with Article 18.

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 Rights. 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 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 condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee's continued use. 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.

15.04.A. Exercise of Election to Terminate.

Lessee may exercise this option only where all of the following occur:

(1) As soon as reasonably practicable following the taking, Lessee shall secure the Premises and improvements located thereon against trespassers and preclude the occupancy and use of those portions of the Premises and improvements located thereon which are unsafe or unfit for use.

(2) No more than ninety (90) days after the nature and extent of the taking have been finally determined, Lessee shall notify County of its election to terminate this Lease. Such notice shall also specify the date of termination, which shall not be prior to the date of taking. To be effective, this notice must include all of the following:

(a) A copy of Lessee's notification to the Approved Encumbrance Holder(s) of Lessee's intention to exercise this option to terminate;

(b) Lessee's certification under penalty of perjury that Lessee has delivered or mailed such notification to the Approved Encumbrance Holder(s) in accordance with Section 16.09;

(d) Lessee's certification under penalty of perjury that Lessee has notified the "Five Authorized Mortgagees" in accordance with the provisions of subsection 10C(2)(a) of the Approved Prepaid Sublease Form;

(e) Lessee's certification under penalty of perjury that Lessee has notified the "Five

Condominium Mortgagees" in accordance with the provisions of Article 11A of the Master Condominium Sublease; and,

(f) Lessee's certification under penalty of perjury that Lessee has notified the Owners Association in accordance with Article 11A of the Master Condominium Sublease.

Notice complying with this subsection 15.04.A(2) is hereinafter called a "Condemnation Termination Notice." County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified all of the above-named parties regarding Lessee's desire to terminate this Lease. County shall have no responsibility to determine if Lessee sent notice to any other person, party or entity.

(3) Concurrently with the Condemnation Termination Notice, Lessee shall, at its expense, deliver to County copies of all reports to or for Lessee by engineers, architects, general contractors and/or other experts engaged for the assessment of the damage to the Premises and for the estimation of the cost of repair or reconstruction, as well as copies of any financial analysis or appraisal prepared by or for Lessee in connection with the repair or reconstruction of the Premises or Lessee's decision regarding termination of this Lease.

(4) As soon as reasonably possible following expiration of the time periods in Article 18, Lessee shall, at Lessee's expense, at County's election, remove all remaining improvements on the Premises. Such obligations shall be personal obligations of the Lessee and survive the termination of this Lease.

(5) Concurrently with the Condemnation Termination Notice, 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. This quitclaim deed shall be cancelled and destroyed if termination of this Lease is prevented under Article 18.

(6) Termination is not delayed or prevented in accordance with Article 18.

15.04.B. Lease Continues in Absence of Exercise. In the absence of termination of this Lease in accordance with subsection 15.04.A, then Lessee shall be obligated to restore the improvements, at its expense, on the Premises as nearly as possible to its value, condition and character immediately prior to such taking whether or not the Awards or payments, if any, on account of such taking shall be sufficient for the purpose, and perform all other obligations contained in this Lease. Minimum Annual Rent, however, shall be abated pursuant to Section 15.05, below. In case of a taking for temporary use, Lessee shall not be required to effect restoration until such taking is terminated.

15.04.C. Failure to Restore When Lease Not Terminated. In the event this Lease is not terminated in accordance with subsection 15.04.A following a partial condemnation, then the provisions of this subsection 15.04.C shall apply.

(1) If termination is prevented by the operation of Article 18, then Lessee's liability shall be limited to that liability which Lessee would have had if termination had occurred and the Lessee's assignee shall have the obligation to restore the improvements on the Premises and perform all other obligations contained in this Lease.

(2) The failure to complete restoration of the improvements, following a partial condemnation shall be an Event of Default and shall result in the cost of such restoration becoming an additional item of recoverable

subsection 8.04.C from the party who is  
or such restoration under the terms of this

(3) County shall not exercise its remedy of  
his Lease for Lessee's failure to restore the  
on the Premises (as opposed to any Assignee's  
store) following a partial condemnation unless  
: have given written notice of such default to  
society, the Five Authorized Mortgagees, and  
Condominium Mortgagees. These notices shall be  
ntly with the notices sent to Lessee and the  
Mortgagee Holder(s). Notice need not be sent to  
other than the "Five Authorized Mortgagees"  
Condominium Mortgagees" designated as such by  
most recent report under Section 16.21  
County. Such notices shall be sent to the  
in such report, by the means provided for  
09.

(4) Lessee may prevent termination of this  
Lease with Article 18.

Effect of Partial Taking on Rent. If any  
Premises is taken by Condemnation and this  
is in full force and effect as to the portion of  
Premises not so taken, the Minimum Annual Rent shall be  
proportional to the Date of Taking in the same proportion  
to the Market Value of the portion of the Premises  
taken as the Fair Market Value of the entire Premises  
prior to the taking. All other obligations of  
Lessee under this Lease shall remain in full force and

Waiver of Code of Civil Procedure

10. 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, a partial taking which results in the termination of this Lease or a taking for temporary use shall be held by County and applied as follows: First, to pay the cost of restoration of the Premises; Second, there shall be paid to the Prepaid Sublessees and their Encumbrance holders as their interests may appear an amount equal to the fair market value of such Sublessees' respective Prepaid Subleases excluding any Prepaid Sublease Bonus Value; and Third, the balance, if any, shall be divided between County and Lessee pro rata, as nearly as practicable, based upon (1) the then value of County's interest in the Premises (including its interest hereunder) and (2) the then value of Lessee's interest in the remainder of the term of this Lease 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); provided, however, that the division of the balance in Third shall be determined without regard to the amount payable to Prepaid Sublessees and their Encumbrance holders in Second and, then, the amount previously allocated to Prepaid Sublessees and their Encumbrance holders in Second shall be deducted first from the amount that would otherwise be allocated to Lessee in Third.

In case of such a partial taking, Lessee shall furnish to County and any Encumbrance Holder evidence

satisfactory to County and the Encumbrance Holder 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:

First: There shall be paid to the Prepaid Sublessees and their Encumbrance holders as their interest may appear, an amount equal to the fair market value of such Sublessees' respective subleasehold estates excluding any Prepaid Sublease Bonus Value on such estates.

Second: There shall be paid to County an amount equal to the present value of all Minimum Annual 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;

Third: There shall be paid to Approved Encumbrance Holders 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;

Fourth: There shall be paid to Lessee an amount equal to the value of the 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 over the amount paid to Encumbrance Holders under the preceding paragraph (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 market rent of the Premises and the rent actually being paid pursuant to this Lease ("Bonus Value"); and

Fifth: 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 Rents 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 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 (the "Department") and relating to the premises hereby leased 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 or its predecessors have been in physical possession of the Premises since 1968, and that Lessee 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 sent 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, giving his name, residence, and business address, as the agent of Lessee for the service of written notice or for 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 written notice or of such process upon such agent is not possible, then Lessee may be personally served with such written notice or 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 Premises above-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 sent by any method provided in the previous paragraph to any Encumbrance Holder of which County has been given written notice and an address for service, but not to Encumbrance holders on Prepaid Subleases. 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:

<u>COUNTY:</u>	Director of Beaches and Harbors 13837 Fiji Way Marina del Rey, CA 90292
<u>LESSEE:</u>	Lewis P. Geysler, General Partner J. H. Snyder Company, a California Limited Partnership 5757 Wilshire Boulevard Penthouse 30 Los Angeles, CA 90036
<u>LESSEE'S ATTORNEY:</u>	Raymond Kaplan, Esq. Rudin, Richman & Appel 9601 Wilshire Boulevard, Penthouse Beverly Hills, CA 90210

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 Adjustment Interest 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. Existing Lenders' Consent. It shall be a condition to the effectiveness of this Lease that all lenders presently holding encumbrances on the Premises shall execute the consent forms contained below the signature blocks for the County and Lessee.

16.14. 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, 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 16.14 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 16.14 OF THE SECOND AMENDED AND RESTATED LEASE ON PARCEL 125R IMPROVED 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."

16.15. Conflict. The parties intend and expect that this Lease is consistent with County's Amended Guidelines. In the event of a conflict between the provisions of this Lease and such Guidelines, this Lease shall prevail.

16.16. Arbitration. Whenever a dispute is to be resolved by arbitration under the various provisions of this Lease providing for arbitration, the arbitration shall be conducted in the County of Los Angeles in accordance with 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. Statement of Position. Except where a specific section provides otherwise, 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) When 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 Eligible Costs, the Statement shall set forth the amount of each cost 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 the 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 conferred by the California Arbitration Act.

16.16.C. Decision Must Conform. 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 (t)he(y) believe(s) most closely reflects the appropriate resolution of the rent price, cost 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 witnesses presented by the other party and submit rebutting evidence. Notwithstanding the foregoing, with respect to a rent renegotiation the arbitrators shall not consider properties other than the Premises and those properties specified by the parties in the written notices given pursuant to subsections 5.10.D(1) and 5.10.D(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. 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(s).

16.16.G. Fraud, Gross Error. Where the arbitrator or group of arbitrators has been charged with fraud or gross error, the arbitration process shall nonetheless continue through completion of the process and the decision shall be implemented unless prior to completion the charging party has obtained a final judgment of a court of competent jurisdiction stating that the

arbitrator or group of arbitrators was guilty of fraud or gross error (a "Disqualification Judgment"). In the event of a Disqualification Judgment, the arbitration process shall begin over immediately in accordance with this Section 16.16. The party alleging fraud or gross error shall have the burden of proof, and shall reimburse the arbitrator(s) for all costs, attorneys' fees and other expenses incurred in defending himself, except where the charging party obtains a Disqualification Judgment. Such arbitration shall be conducted as expeditiously as possible.

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

16.17.A. To make changes as Director shall determine, in his sole discretion, are needed in order to enable Lessee or a Prepaid Sublessee to obtain financing or refinancing; or

16.17.B. To make such changes as Director shall determine, in his sole discretion, are necessary or desirable and do not constitute a material change in the terms of this Lease.

16.18. 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.

16.19. 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 P.

16.20. Indemnity Obligations. Wherever 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 attorneys fees and court costs.

16.21. Reporting Regarding Five Authorized Mortgagees. No less frequently than quarterly, for the remainder of the term of this Lease, Lessee shall furnish County with a written list identifying both the five (5) Authorized Mortgagees holding the largest number of mortgages on the Approved Prepaid Sublease Form, and the Authorized Mortgagees holding the largest number of mortgages on "Condominium Subleases." The list shall set forth the name and address of each mortgagee, and the number of mortgages held. The term "Authorized Mortgagee" shall have the same meaning in this Lease as set forth in Section 14 of the Approved Prepaid Sublease Form, with respect to mortgages thereon, and the same meaning as set forth in Section 15 of the Master Condominium Sublease with respect to mortgages on Condominium Subleases. The term "Condominium Sublease" shall have the same meaning in this Lease as it has in the Master Condominium Sublease (Section 1.1.9).

16.22. Expansion. The Premises may be expanded pursuant to Section 16.20 of the Restated Hotel Parcel Lease.

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. "2.5 MILLION PAYMENT" shall have the meaning set forth in Section 5.01.

17.01.B. "7.5% PARTICIPATION FEE" shall have the meaning set forth in Section 5.07.

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

17.01.D. "ADJUSTMENT INDEX" shall have the meaning set forth in subsection 5.08.B(2)(b).

17.01.E. "ADJUSTMENT INTEREST" shall have the meaning set forth in subsection 5.10.G(1).

17.01.F. "ADMINISTRATIVE TRANSFER FEE" shall have the meaning set forth in either Section 5.11 or 5.12, whichever is appropriate.

17.01.G. "ADVERTISING CLEARANCE PROCEDURE" shall have the meaning set forth on Exhibit K.

17.01.H. "AFFILIATE" shall have the meaning set forth in subsection 5.08.B.

17.01.I. "AGGREGATE CONSTRUCTION COST" shall have the meaning set forth in subsection 4.04.D(1).

17.01.J. "AGGREGATE TRANSFER" shall have the meaning set forth in subsection 5.11.A.

17.01.K. "AIREA/SREA APPRAISER" shall have the meaning set forth in subsection 5.10.B. In the event the professional organizations referred to subsection 5.10.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.L. "APARTMENT PLAN" shall have the meaning set forth in subsection 3.01.A.

17.01.M. "APARTMENTS APPROVED FOR PREPAID SUBLEASES" shall have the meaning set forth in subsection 3.01.A.

17.01.N. "APPRAISAL-BASED STATEMENT" shall have the meaning set forth in subsection 5.10.F(1).

17.01.O. "APPROVED FINAL PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 4.04.A.

17.01.P. "APPROVED PREPAID SUBLEASE FORM" shall have the meaning set forth in subsection 10.01.B(2).

17.01.Q. "AWARD" shall have the meaning set forth in subsection 15.01.C.

17.01.R. "BEGINNING INDEX" shall have the meaning set forth in subsection 5.08.B(2)(b).

17.01.S. "BONUS VALUE" shall have the meaning set forth in subsection 15.07.C.

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

17.01.U. "CASUALTY TERMINATION NOTICE" shall have the meaning set forth in subsection 14.01.A(2)(e).

17.01.V. "CHANGE IN OWNERSHIP" shall have the meaning set forth in either subsection 5.11.A or 5.12.A, whichever is appropriate.

17.01.W. "CLUB" shall have the meaning set forth in subsection 5.08.D(13)(a).

17.01.X. "COMMENCEMENT INDEX" shall have the meaning set forth in subsection 5.09.A(2).

17.01.Y. "COMMENCEMENT OF THE TERM" shall have the meaning set forth in Section 2.03.

17.01.Z. "COMMERCIAL SUBLEASES" shall have the meaning set forth in subsection 10.01.E.

17.01.AA. "COMMERCIAL USES" shall have the meaning set forth in subsection 5.02.C.

17.01.BB. "CONDEMNATION" shall have the meaning set forth in subsection 15.01.A.

17.01.CC. "CONDEMNATION TERMINATION NOTICE" shall have the meaning set forth in subsection 15.04.A(2).

17.01.DD. "CONDEMNOR" shall have the meaning set forth in subsection 15.01.D.

17.01.EE. "CONTINGENT PAYMENT NOTE" shall have the meaning set forth in subsection 5.15.H.

17.01.FF. "CONVERSION COSTS" and "ELIGIBLE CONVERSION COSTS" shall have the meanings set forth in subsection 5.13.E.

17.01.GG. "COSTS" shall have the meaning set forth in subsection 5.13.D.

17.01.HH. "COUNTY" shall mean the County of Los Angeles.

17.01.II. "CPI RENTAL INDEX" shall have the meaning set forth in subsection 5.08.B(2)(a).

17.01.JJ. "CRITERIA FOR ELIGIBILITY FOR EXEMPTION OF BUILDING FUND ASSESSMENTS FROM GROSS RECEIPTS" shall have the meaning set forth in subsection 5.08.D(20).

17.01.KK. "CRITERIA FOR ELIGIBILITY FOR EXEMPTION OF SPECIAL ASSESSMENTS FROM GROSS RECEIPTS" shall have the meaning set forth in subsection 5.08.D(13).

17.01.LL. "CURRENT MONTHLY RESIDENTIAL STATUS REPORT" shall have the meaning set forth in subsection 5.08.A.

17.01.MM. "CURRENT RENT" shall have the meaning set forth in subsection 5.08.A.

17.01.NN. "DRE" shall have the meaning set forth in subsection 10.01.C(7).

17.01.OO. "DATE OF TAKING" shall have the meaning set forth in subsection 15.01.B.

17.01.PP. "DEFINED NET PROCEEDS FROM MARKETING PREPAID SUBLEASES" shall have the meaning set forth in Section 5.14.

17.01.QQ. "DEFINED NET REFINANCING PROCEEDS" shall have the meaning set forth in Section 5.19.

17.01.RR. "DEFINED NET TRANSFER PROCEEDS" shall have the meanings set forth in Section 5.15.

17.01.SS. "DESIGNATED ASSIGNEE" shall have the meaning set forth in subsection 18.05.A.

17.01.TT. "DEPARTMENT" shall have the meaning set forth in subsection 16.03.A.

17.01.UU. "DESIGN CONTROL BOARD" shall mean the Small Craft Harbor's Design Control Board of the County of Los Angeles.

17.01.VV. "DIRECTOR" shall have the meaning set forth in subsection 3.01.C.

17.01.WW. "DISQUALIFICATION JUDGMENT" shall have the meaning set forth in subsection 16.16.G.

17.01.XX. "DOCUMENTED TRANSACTION COSTS" shall have the meaning set forth in subsection 5.14.A(5).

17.01.YY. "DRE" shall have the meaning set forth in subsection 10.01.C(8).

17.01.ZZ. "ELIGIBLE COSTS" shall have the meaning set forth in Sections 5.14 and 5.15, whichever is appropriate.

17.01.AAA. "ELIGIBLE CONVERSION COSTS" shall have the meaning set forth in subsection 5.13.E, and "ELIGIBLE TRANSACTION COSTS" shall have the meaning set forth in subsection 5.13.F.

17.01.BBB. "ENCUMBER" and "ENCUMBRANCE" shall have the meanings set forth in subsection 10.02.C.

17.01.CCC. "ENCUMBRANCE HOLDER" and "APPROVED ENCUMBRANCE HOLDER" shall have the meanings set forth in Section 9.01.

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

17.01.EEE. "EXCESS O&M" shall have the meaning set forth in subsection 5.13.B(3).

17.01.FFF. "EXCESS PERCENTAGE RENT PAYMENTS" shall have the meaning set forth in subsection 5.08.E.

17.01.GGG. "EXTENDED COVERAGE" shall have the meaning set forth in Section 11.01.

17.01.HHH. "EXTENDED TIME" shall have the meanings set forth in Section 16.14.

17.01.III. "FAIR RENTAL VALUE" shall have the meaning set forth in subsection 5.10.B.

17.01.JJJ. "FIRST ENCUMBRANCE HOLDER" shall have the meaning set forth in Section 18.03.

17.01.KKK. "FIVE AUTHORIZED MORTGAGEES" shall have the meaning set forth in subsection 14.01.A(2)(c); and "FIVE CONDOMINIUM MORTGAGEES" shall have the meaning set forth in subsection 14.01.A(2)(d).

17.01.LLL. "GROSS PREPAID SUBRENT" shall have the meaning set forth in Section 5.07.

17.01.MMM. "GROSS RECEIPTS" shall have the meanings set forth in subsections 5.08.I and 5.08.I(4).

17.01.NNN. "GROSS SUBLEASE PROCEEDS" shall have the meaning set forth in Section 5.14.

17.01.OOO. "HISTORICAL O&M" and "EXCESS O&M" shall have the meanings set forth in subsection 5.13.B.

17.01.PPP. "HOTEL PARCEL" shall have the meaning set forth in Section 1.01.

17.01.QQQ. "IMPROVED PARCEL" shall have the meaning set forth in Section 1.01.

17.01.RRR. "IMPROVEMENT COSTS" shall have the meaning set forth in subsection 5.13.C.

17.01.SSS. "IMPROVEMENTS" shall have the meaning set forth in Section 1.04.

17.01.TTT. "INITIAL DEPOSIT" shall have the meaning set forth in Section 5.09.



17.01.UUU. "INITIAL HOTEL OWNER" shall have the meaning set forth in Section 3.08.

17.01.VVV. "INITIAL MINIMUM RENT" shall have the meaning set forth in Section 5.04.

17.01.WWW. "INITIAL SHADOW RENT" shall have the meaning set forth in subsection 5.08.B(1).

17.01.XXX. "INSURED CASUALTY" shall have the meaning set forth in subsection 14.01.B.

17.01.YYY. "LEASE" shall have the meaning set forth in Section 1.06.

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

17.01.AAAA. "LEFT UNIMPAIRED" shall have the meaning set forth in Section 3.03.

17.01.BBBB. "LESSEE" shall mean J. H. SNYDER COMPANY, a California Limited Partnership.

17.01.CCCC. "LESSEE'S RESPONSE PERIOD" shall have the meaning set forth in subsection 5.10.D(2).

17.01.DDDD. "MASTER CONDOMINIUM SUBLEASE" shall have the meaning set forth in subsection 10.01.C(4).

17.01.EEEE. "MINIMUM ANNUAL RENT" shall have the meaning set forth in subsection 5.04.A.

17.01.FFFF. "MINIMUM MONTHLY RENT" shall have the meaning set forth in Section 5.05.

17.01.GGGG. "MONTHLY RESIDENTIAL STATUS REPORT" shall have the meaning set forth in subsection 5.08.A.

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

17.01.IIII. "NOTICE OF COMPLETION" shall have the meaning set forth in subsection 4.05.G.

17.01.JJJJ. "O&M" shall have the meaning set forth in subsection 5.13.B.

17.01.KKKK. "OPERATOR OF THE HOTEL" shall have the meaning set forth in Section 3.08.

17.01.LLLL. "OWNERS ASSOCIATION" shall have the meaning set forth in subsection 10.01.C(1).

17.01.MMMM. "PAYMENT BOND" shall have the meaning set forth in subsection 4.04.D(2).

17.01.NNNN. "PERCENTAGE RENTS" shall have the meaning set forth in Section 5.08.

17.01.OOOO. "PERFORMANCE BOND" shall have the meaning set forth in subsection 4.04.D(1).

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

17.01.QQQQ. "PREPAID SUBLEASES" and "PREPAID SUBLEASED APARTMENTS" shall have the meanings set forth in subsection 5.02.A.

17.01.RRRR. "PREPAID SUBLEASE BONUS VALUE" shall have the meaning set forth in subsection 11.01C.

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

17.01.TTTT. "PROPERTY" shall have the meaning set forth in Section 1.01.

17.01.UUUU. "PROPOSED ASSIGNMENT NOTICE" shall have the meaning set forth in subsection 18.05.A.

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

17.01.WWWW. "PURCHASE MONEY NOTE" shall have the meaning set forth in subsection 5.11.C(3).

17.01.XXXX. "RELATED USES" shall have the meaning set forth in subsection 3.01.C.

17.01.YYYY. "RELEVANT FACTORS" shall have the meaning set forth in subsection 5.10.B.

17.01.ZZZZ. "RENEGOTIATION DATE" shall have the meaning set forth in subsection 5.10.A.

17.01.AAAAA. "RENEGOTIATION PERIOD" shall have the meaning set forth in subsection 5.10.D(4).

17.01.BBBBBB. "RENEWAL RENT" shall have the meaning set forth in subsection 5.08.A.

17.01.CCCCCC. "RENT CONTROL" shall have the meaning set forth in subsection 5.08.C(5).

17.01.DDDDDD. "RESEARCH COUNCIL INDEX" shall have the meaning set forth in subsection 5.08.B(2)(a).

17.01.EEEEE. "RESTATED HOTEL PARCEL LEASE" shall have the meaning set forth in Section 1.02.

17.01.FFFFFF. "RESTATED IMPROVED PARCEL LEASE" shall have the meaning set forth in Section 1.02.

17.01.GGGGGG. "SCHEDULE OF MINIMUM RENTS AND 7.5% PARTICIPATION FEE CREDITS" shall have the meaning set forth in subsection 5.07.B.

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

17.01.IIIIII. "SHADOW RENT" shall have the meaning set forth in subsection 5.08.B.

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

17.01.KKKKKK. "SHORT-TERM SUBLEASES" and "SHORT-TERM SUBLEASED APARTMENTS" shall have the meanings set forth in subsection 5.02.B.

17.01.LLLLLL. "SINGLE-ASSET ENTITY" shall have the meaning set forth in subsection 5.15.F(4).

17.01.MMMMMM. "STATEMENT OF POSITION" shall have the meaning set forth in subsection 5.10.E.

17.01.NNNNNN. "STREET RENT" shall have the meaning set forth in subsection 5.08.A.

17.01.OOOOOO. "SUBLEASE" shall have the meaning set forth in subsection 10.01.A.

17.01.PPPPPP. "SUBLEASE PAYMENT" shall have the meaning set forth in Section 3A of the Approved Prepaid Sublease Form.

17.01.QQQQQQ. "SUBLESSEE" shall have the meaning set forth in subsection 10.01.A. "PREPAID SUBLESSEE" shall

mean the Sublessee of an apartment which is the subject of a Prepaid Sublease, either on the Approved Prepaid Sublease Form or under the approved subleasehold condominium regime.

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

17.01.SSSSS. "TRANSACTION COSTS" and "ELIGIBLE TRANSACTION COSTS" shall have the meaning set forth in subsection 5.13.F.

17.01.TTTTT. "UNINSURED LOSS" shall have the meaning set forth in subsection 14.01.A.

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 in 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. 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 Government Code of "periodic review by the County" as a result of various provisions contained herein, including, but not limited to, subsection 3.01.C, Sections 3.06, 4.01, 4.02, 4.04, 5.10 and Article 6.

ARTICLE 18. SPECIAL LEASE TERMINATION PREVENTION RIGHTS FOR THIRD PARTIES.

18.01. General. County and Lessee recognize that Prepaid Sublessees, Approved Encumbrance Holders and Authorized Mortgagees will be making substantial investments with respect to various portions of the Premises, and that as a result, they might suffer severe adverse economic impact in the event that Lessee determined to exercise its right to terminate this Lease under either subsection 14.01.A or or subsection 15.04.A. Consequently, County and Lessee have agreed upon the provisions of this Article 18 to enable Prepaid Sublessees, Approved Encumbrance Holders and Authorized Mortgagees to protect their interests should they so desire. The provisions of this Article 18 are expressly for the benefit of such parties.

18.02. Notification. In the event that Lessee sends County a Casualty Termination Notice under subsection 14.01.A or a Condemnation Termination Notice under subsection 15.04.A, Lessee shall concurrently send copies of such notice to the Approved Encumbrance Holder(s), to the Owners Association, to the Five Authorized Mortgagees, and to the Five Condominium

County shall be entitled to rely on the  
called for in subsection 14.01.A and  
15.04.A as conclusive evidence that these  
ent.

Rights of First Approved Encumbrance Holder  
Termination. Lessee's Approved Encumbrance  
the mortgage or deed of trust having  
priority of record on the entire Premises  
Encumbrance Holder") shall be entitled to  
from terminating this Lease pursuant to  
15.04.A or subsection 15.04.A by delivering to  
written notice objecting to such termination  
: containing an effective assignment of  
interest in this Lease to the First Encumbrance  
Holder. The First Encumbrance Holder expressly  
agrees to be bound by and perform all of  
the obligations under this Lease. To be effective,  
the notice must be sent in accordance with Section 16.09,  
as required by County within ten (10) days of County's  
Casualty Termination Notice or the  
Termination Notice, whichever is appropriate,  
with the following caption in all capital letters:  
THIS IS A NOTICE UNDER SECTION 18.03 OF  
THE 2007 AMENDED AND RESTATED LEASE ON  
PARCEL 125R IMPROVED PARCEL, MARINA DEL REY, AND  
ADJACENT PARCELS AND ACCOMPANIED BY THE ASSIGNMENT AND  
ASSIGNMENT AGREEMENT REQUIRED BY THAT SECTION,  
IN CONNECTION WITH THE EXERCISE OF LESSEE'S OPTION TO  
RENEW THAT LEASE BY REASON OF AN UNINSURED  
LOSS OR CONDEMNATION.

Right of MDP to Prevent Termination. MDP  
agrees to prevent Lessee from terminating this  
Lease pursuant to subsection 14.01.A or subsection 15.04.A  
by County both written notice objecting to

such termination and an agreement containing an effective assignment of Lessee's interest in this Lease to MDP whereby MDP 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, must be received by County within twenty (20) days of County's receipt of the Casualty Termination Notice or the Condemnation Termination Notice, whichever is appropriate, and must bear the same caption in all capital letters as called for in Section 18.03 except that the reference therein shall be to this Section 18.04.

18.04.A. Right Peculiar to MDP Alone. The right to preclude termination under this subsection shall be available to MDP alone, and only for so long as MDP for remains an Approved Encumbrance Holder (and not to MDP's successors in interest and/or assigns unless the Director, in his sole discretion, agrees in writing to allow MDP to assign such right to the Assignee of MDP's Approved Encumbrance).

18.04.B. MDP's Notice and Assignment to Prevail. If both the First Encumbrance Holder and MDP deliver the notice and agreement provided for above within their respective time periods, then MDP's agreement shall be effective and the First Encumbrance Holder's agreement shall become ineffective.

18.05. Rights to Prevent Termination for Benefit of Prepaid Sublessees, Five Authorized Mortgagees, and Five Condominium Mortgagees. Notwithstanding having delivered a Casualty Termination Notice or a Condemnation Termination Notice, and notwithstanding Lessee's default (as opposed to an Assignee's default) for not having restored improvements after an Uninsured Loss or partial condemnation, Lessee may prevent termination of this Lease for the benefit of the Prepaid Sublessees, the Five Authorized Mortgagees and the

Five Condominium Mortgagees in accordance with this section by complying with all of the provisions of this Section 18.05. This right shall be available only if neither the First Encumbrance Holder nor MDP has exercised its rights under this Article 18.

18.05.A. Notice of Proposed Assignment. Lessee shall notify County that it desires to assign this Lease to the proposed assignee identified therein (the "Designated Assignee") by means of written notice (the "Proposed Assignment Notice") The Proposed Assignment Notice must be received by County no later than:

(1) The sixtieth (60th) day following the Uninsured Loss; or the thirtieth (30th) day following County's receipt of the Casualty Termination Notice, whichever is later, where the Proposed Assignment is subsequent to a Casualty Termination Notice;

(2) The thirtieth (30th) day following County's receipt of a Condemnation Termination Notice where the Proposed Assignment is subsequent to a Condemnation Termination Notice; or

(3) The sixty-fifth (65th) day following the default notice sent by County pursuant to either subsection 14.01.C(3) or 15.04.C(3), whichever is appropriate, where the Proposed Assignment is subsequent to such a default notice attributable to Lessee's failure to restore improvements (as opposed to an Assignee's failure to restore) following an Uninsured Loss or a partial condemnation.

18.05.B. Financial Data. The Proposed Assignment Notice must be accompanied by an accurate financial statement of each Designated Assignee and a description of the means by which each Designated Assignee proposes to fund the restoration of the Premises. These must be in sufficient detail so as to allow County to make



an informed evaluation as to the financial strength of each Designated Assignee and the actual availability and feasibility of such funding.

18.05.C. Identity of Designated Assignee. The Designated Assignee shall be the person or entity chosen by the Five Authorized Mortgagees, the Owner's Association, or the Five Condominium Mortgagees, whichever designates a Proposed Assignee to Lessee. In the event that more than one of the foregoing designate a proposed assignee to Lessee, then the Proposed Assignment Notice shall list each of the assignees so proposed as alternative Designated Assignees, with County being requested to consider such alternative Designated Assignees sequentially until one, if any, is accepted, in the following order: first, the Proposed Assignee designated by the Five Authorized Mortgagees; then the assignee designated by the Owners Association; and last, the assignee designated by the Five Condominium Mortgagees. The financial data described in subsection 18.05.B must be submitted for each alternative proposed Designated Assignee.

(1) The designee of the Five Authorized Mortgagees shall be selected in the manner described in Sections 9 and 10 of the Approved Prepaid Sublease Form.

(2) The designee of the Owners Association and the designee of the Five Condominium Mortgagees shall be selected in the manner described in Article 11A of the Master Condominium Sublease.

(3) County shall be entitled to rely upon the Proposed Assignment Notice as conclusive evidence that the Designated Assignee, and if more than one is listed, the order of consideration, has been selected in accordance with the terms of this subsection 18.05.C.

18.05.D. Notice Constitutes Request. The Proposed Assignment Notice shall constitute a request for

County to approve the proposed assignment to any of the proposed Designated Assignees listed therein in accordance with Section 10.03 of this Lease. If more than one proposed Designated Assignee is so listed, County shall consider the proposed Designated Assignees in the order set forth in the Proposed Assignment Notice. In determining whether to give or withhold its consent, County may consider the factors set forth in such Section 10.03, as well as the feasibility of restoration; and, County may condition such determination upon the Designated Assignee's furnishing County with security reasonably satisfactory to County that such Designated Assignee has available funds for the restoration.

18.05.E. Security. Within thirty (30) days following County's receipt of the Proposed Assignment Notice, Lessee shall furnish County with an Irrevocable Letter of Credit or other device reasonably satisfactory to County in an amount equal to the cost of Lessee's obligations under subsection 14.01.A(4) or subsection 15.04.A(4), whichever is appropriate. County shall be entitled to realize upon such security if the Designated Assignee is not approved or if following approval, the Designated Assignee fails to complete the restoration in a timely manner.

18.05.F. Lease Termination Following Proposed Assignment Notice. The Proposed Assignment Notice shall become ineffective, and this Lease shall terminate unless County has consented to the proposed assignment to any Designated Assignee within forty-five (45) days after having received such Proposed Assignment Notice or such longer period as the Director, in his sole discretion, has designated as the time for County consideration of the proposed assignment.

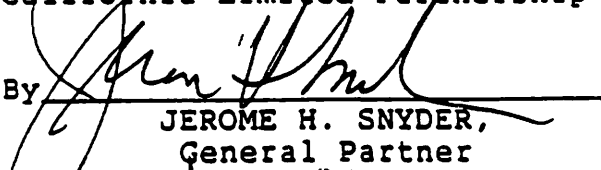
18.06. Rights Do Not Extend Time for Approved Encumbrance Holder(s) to Cure Default. The rights provided


for in this Article 18 shall in no way extend or otherwise modify the time periods afforded to Approved Encumbrance Holders under Article 9 of this Lease.

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

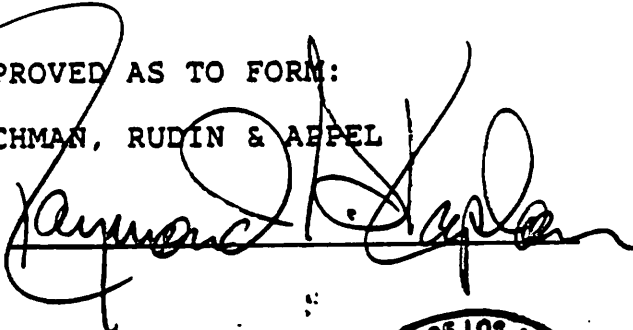
DATED: October 15, 1987.

J. H. SNYDER COMPANY, A  
California Limited Partnership

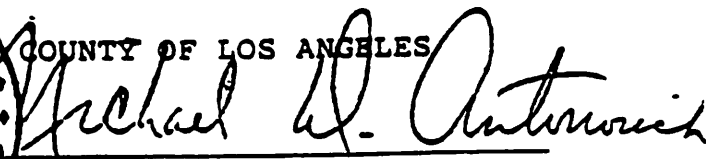
By   
JEROME H. SNYDER,  
General Partner

By   
LEWIS P. GEYSER,  
General Partner

By   
MILTON SWIMMER,  
General Partner

APPROVED AS TO FORM:  
RICHMAN, RUDIN & APPEL  
By 



  
Chairman, Board of Supervisors

(CORPORATE SEAL)

LARRY J. MONTEILH, Clerk  
of the Board of Supervisors



By Aynthia A. Benson  
Deputy

APPROVED AS TO FORM:

DeWITT CLINTON,  
County Counsel

By Lester H. Cook

APPROVED AS TO FORM:

MCDONOUGH, HOLLAND & ALLEN

By [Signature]

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

101



OCT 27 1987

[Signature]  
LARRY J. MONTEILH  
EXECUTIVE OFFICER

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.

AMERICAN SAVINGS AND LOAN  
ASSOCIATION

By   
By 

MDP, LTD., a  
California corporation

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.

AMERICAN SAVINGS AND LOAN  
ASSOCIATION

By \_\_\_\_\_

By \_\_\_\_\_

MDP, LTD., a  
California corporation

By H. A. The Secretary