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August 21, 2003

TO: Small Craft Harbor Commission

FROM: Kerry Gottlieb for Stan Wisniewski, Director

SUBJECT: **COMMISSION AGENDA – AUGUST 27, 2003**

Enclosed is the August 27, 2003 meeting agenda, together with the minutes from your meetings of May 14, 2003, June 11, 2003 and July 23, 2003. Also enclosed are reports related to agenda items 3a, 3b, 4a, 5a, and 6a.

Please call me if you have any questions or need additional information.

SW:tlh
Enclosures

13837 Fiji Way • Marina del Rey • CA 90292 • 310.305.9503 • fax 310.821.6345 • internet: http://beaches.co.la.ca.us

Stan Wisniewski Director • **Kerry Gottlieb** Chief Deputy

COUNTY OF LOS ANGELES

SMALL CRAFT HARBOR COMMISSION

(310) 305-9527

Harley A. Searcy, Chairman
Carole B. Stevens, Vice-Chairperson
John C. Law
Russ Lesser
Joe Crail

AGENDA

SMALL CRAFT HARBOR COMMISSION MEETING
AUGUST 27, 2003
9:30 a.m.
BURTON W. CHACE PARK COMMUNITY BUILDING
13650 MINDANAO WAY
MARINA DEL REY, CA. 90292

1. Call to Order and Action on Absences

2. Approval of Minutes: Meetings of May 14, 2003, June 11, 2003 and July 23, 2003

3. **REGULAR REPORTS** (DISCUSS REPORTS)

   a. Marina Sheriff
      -Crime Statistics
      -Enforcement of Seaworthy & Liveaboard Sections of the Harbor Ordinance

   b. Marina del Rey and Beach Special Events

4. **OLD BUSINESS**

   a. Consent to Assignment of Partnership Interest in Marina Pacific Associates, L.P., Approval of Revisions to the Proposed Amended and Restated Lease, Authorization of Exercise of Option as to Revised Amended and Restated Lease and Approval of Agreement Regarding Encumbrance of Leasehold Estate (Parcels 111T/112T-Marina Harbor Apartments and Anchorage) (RECOMMEND TO BOARD OF SUPERVISORS)

5. **NEW BUSINESS**

   a. Approval of Lease Assignments for Parcel 12R (Deauville Marina) and Parcel 15U (Bar Harbor Marina) (RECOMMEND TO BOARD OF SUPERVISORS)

6. **STAFF REPORTS** (DISCUSS REPORTS)

   a. Ongoing Activities
      - Board Actions on Items Relating to Marina del Rey
      - Marina del Rey Water Shuttle Service Update
      - Dinghy Storage Facility Status – Parcel 91S (Marina Beach)
      - Design Control Board Minutes

   b. Marina del Rey Convention and Visitors Bureau (PRESENTATION BY EXECUTIVE DIRECTOR OF MdR CVB)

7. **COMMUNICATION FROM THE PUBLIC**

8. **ADJOURNMENT**

PLEASE NOTE:

1. The Los Angeles County Board of Supervisors adopted Chapter 2.160 of the Los Angeles Code 93-031 relating to lobbyists. Any person who seeks support or endorsement from the Small Craft Harbor Commission on any official action must certify that he/she is familiar with the requirements of this ordinance. A copy of the ordinance can be provided prior to the meeting and certification is to be made before or at the meeting.

2. The agenda will be posted on the Internet and displayed at the following locations at least 72 hours preceding the meeting date:

   Department of Beaches and Harbors' Website Address: http://beaches.co.la.ca.us

   Department of Beaches and Harbors
   Administration Building
   13837 Fiji Way
   Marina del Rey, CA 90292

   MdR Visitors & Information Center
   4701 Admiralty Way
   Marina del Rey, CA 90292

   Burton Chace Park Community Room
   13650 Mindanao Way
   Marina del Rey, CA 90292

   Marina del Rey Library
   4533 Admiralty Way
   Marina del Rey, CA 90292

Si necesita asistencia para interpretar esta informacion llame al (310) 305-9546.

Small Craft Harbor Commission
Meeting of May 14, 2003
Minutes

Commissioners Present:

Harley A. Searcy, Chairman
Carole Stevens, Vice-Chairperson
John C. Law

Excused Absences:

Joe Crail
Russ Lesser

Department of Beaches & Harbors:
Stan Wisniewski, Director
Roger Moliere, Chief, Asset Management Division
Joe Chesler, Chief, Planning Division
Dusty Crane, Chief, Community & Marketing Services Division
Gary Brockman, Sr. Real Property Agent, Asset Management Division
Sal Iannotti, Sr. Real Property Agent, Asset Management Division
Mark Myers, Student Worker, Planning Division

Other County Departments:
Rick Weiss, County Counsel
Captain Sam Dacus, Sheriff's Department
Lt. Tracee Edmonds, Sherff's Department
Sgt. Gary Thornton, Sheriff's Department
Deputy Paul Carvalho, Sheriff's Department

Also Present: Beverly Moore, Executive Director, MdR Convention and Visitors Bureau

1. CALL TO ORDER & ACTION ON ABSENCES

Chairman Searcy called the meeting of the Los Angeles County Small Craft Harbor Commission to order at 9:36 a.m. in the Burton W. Chace Park Community Room, Marina del Rey.

Vice-Chairperson Stevens moved and Commissioner Law seconded a motion to excuse Commissioner Crail and Commissioner Lesser from today's meeting. The motion passed unanimously.

2. APPROVAL OF MINUTES

Commissioner Law moved and Vice-Chairperson Stevens seconded a motion to approve the minutes of April 9, 2003. The motion passed unanimously.

3. REGULAR REPORTS

a. Marina Sheriff's Department Report

--- Crime Statistics

Lt. Tracee Edmonds introduced herself and informed the Commission that she is the new Harbor Master at the Marina Station and is looking forward to her new assignment. Lt. Edmonds formerly worked for the City of Compton.

Lt. Edmonds reported that the April crime statistics don't reflect much of a change from the March statistics. There is a significant decrease in burglaries, primarily in the residential and vehicle areas. As summer approaches, Lt. Edmonds said, there may be an increase, however, the Department is developing innovative programs and will be able to use grant money to deploy

additional officers. The Department hasn't received funds for the summer enforcement team, however, the Department has ideas that would enable it to provide ample staff.

Vice-Chairperson Stevens asked Lt. Edmonds to explain the distinctions between robbery:weapon; robbery:strong-arm; and aggravated assault crimes. Lt. Edmonds responded that these crimes are against persons. Robbery:weapon refers to the use of a knife, firearm or a blunt instrument as a weapon. Strong-arm is personally taking someone's property by force. She explained that a person could use his/her hands to take the property or assault someone to take the property. Aggravated assault is a crime related to a person or weapons without the adjunct of a known weapon, using hands, fists, feet; it's basically when someone gets beaten up.

--- **Enforcement of Seaworthy & Liveaboard Sections of the Harbor Ordinance**

Deputy Paul Carvalho reported that this month's report reflects no new notices to comply were issued. A derelict vessel was disposed of by being sold to a film company. It was destroyed during the movie's production. The Department of Boating and Waterways' grant has been tentatively approved and staff is waiting for the Sheriff to sign the final papers. Deputy Carvalho said, at this point, there is no timeframe for the vessels' removal from the docks. He is hopeful this would occur sometime during the summer at which time all the paperwork should be approved and bids should go out for the vendors to take care of the disposal.

Deputy Carvalho said the Seaworthy and Liveaboard discussion in the April minutes is somewhat misleading. He explained that someone reading the April minutes "might construe that we're not enforcing the seaworthy part of the ordinance. We, in fact, are. What we are not doing at this time is, we're not, on a regular basis, walking the docks in search of unseaworthy vessels, simply because we have so many vessels at our docks and a lot of those vessels...notices to comply have been given to them at an earlier date, pretty much that's why we end up with them. If we receive information regarding a vessel that is reported to be unseaworthy, we will act on it. We will go out and we'll do the inspection. Should we find that it's unseaworthy, we will give a notice to comply to it."

b. Marina Special Events

Mr. Wisniewski reported there is a significant amount of activity identified in the "Marina del Rey Outdoor Adventures" section of the Special Events Report. The adventures include an ocean experience aboard a 65' Sea World UCLA vessel, a bird watching program, and a kayaking program. The kayaking lessons are conducted by L.A. County Ocean Lifeguards. He said this is the first time the Department has had such a program available and thanked Dusty Crane and her staff for offering the program to the public. Mr. Wisniewski commended Ms. Crane for her work as Chief of the Community and Marketing Services Division.

Mr. Wisniewski continued, informing the Commission that the California Yacht Club will be hosting its 45th California Cup Regatta. The Special Events Report also lists the open air concerts being held on the weekends at Fisherman's Village.

4. NEW BUSINESS

a. Rules Regarding Ceding of Time for Speakers To Address the Commission

Commissioner Law asked to be heard on a point of order. He said that Commissioner Crail and Commissioner Lesser, who are absent today, made statements at the April meeting about the issue of ceding time for speakers. At that meeting, Commissioner Lesser requested that the item be carried over until, at least, four of the five Commissioners are present. Chairman Searcy responded, "Certainly, if that's the pleasure of the Commission. However, in as much as we were all here and I did hear, the Chair did, what they all had to say, and I likewise assume that my fellow Commissioners did. I don't think that it's absolutely necessary to carry it over. I do recall their comments; their general tone of what they thought should be done. The Chair is ready to proceed in this regard."

Vice-Chairperson Stevens said the Commission previously decided that a speaker would address the Commission for three minutes and be allowed an additional three minutes if someone ceded time to the speaker. She said, "Technically, what we had decided on, and you did by order of the Chair, was three minutes, with the potential of an additional three minutes from some other speaker not speaking. Also, in reading our regular standing rules, this is something we could think about until there is enough of us here that makes it fair to vote on it. Technically, a speaker could ask to speak on every single item and if somebody could relinquish their time, it could be six minutes on every single item on the agenda. If you look at today's agenda, it's no big deal, but if you look at last month's minutes, the book, as we have been calling it this morning, it was a very long meeting. I would like my fellow Commissioners to think about that and I would agree with Commissioner Law that we wait until, at least, there are four of us here."

Vice-Chairperson Stevens moved and Commissioner Law seconded a motion for the Commission to postpone taking action on Agenda Item #4a until there are at least four Commissioners present at the meeting. Discussion ensued regarding postponing action on the item. Mr. Weiss informed the Commission that, rather than take action at this time, members have the option to open the issue for public discussion, take testimony, then continue the item until the June meeting. The Commissioners who are absent from today's meeting could read the May minutes to prepare to vote on the issue at the June meeting.

Chairman Searcy said he would like to hear the staff report on the issue, as well as from members of the public. He said that members of the public have taken time to attend today's meeting to speak on the matter and should be allowed to speak. After listening to the staff report and public testimony, the Commission could then determine whether it needs to take action today or continue the item to the June meeting. Commissioner Law said he is willing to follow Chairman Searcy's suggestion with the following conditions: 1) Commission hears the staff report; 2) Commission hears the public testimony and the people heard from today would not be able to speak on the subject in June. Chairman Searcy said he would like to err on the side of caution that, "If we have discussion today on the item on the agenda and we carry it over and have the item on the next agenda, irrespective of the people speaking previously, they will be permitted to speak again on the item. It's a separate day... even though it's the same agenda item." He requested guidance from Mr. Weiss. Mr. Weiss responded that the matter is within the Chair's discretion. He said, "Legally, you are only required to hear once from any one person on an item. If you continue the item, it is still the same item. You are not required to hear them

twice. However, I will advise that the minutes be prepared in time so that the Commissioners who are not present have an opportunity to hear what people have said that last time so that it could be considered in a vote." Commissioner Law said he would agree with the Chairman that the Commission need not vote on the motion until the Commission has heard the staff report and public testimony.

Mr. Wisniewski said the current rules provide that, at the discretion of the Chair, individual speakers may be limited to a time period of not less than three minutes. Chairman Searcy asked whether Mr. Wisniewski was referring to previous rules since the current Commission Rules allow people to speak for three minutes; people are also allowed to cede their time. Mr. Wisniewski said he believed the ceding of time was something the Commission agreed to do at the Chair's discretion. Mr. Weiss clarified that, as he advised the Commission at a previous meeting, it is within the Commission's discretion to allow or not allow the ceding of time; this could be done on a meeting-by-meeting basis. He said there was also previous discussion about establishing a rule that would not allow a decision to be made on the ceding of time on a meeting-by-meeting basis. During that discussion, Mr. Weiss said he suggested the item be agendized for consideration of a rule change.

For clarification purposes, Chairman Searcy asked whether the ceding of time is not automatic and is within the Chair's discretion to allow or not allow it. Mr. Weiss responded that Chairman Searcy is correct. Mr. Wisniewski said he believes the Commission Rules are sufficiently clear to give the Chair discretion and he would not suggest any changes to them at this point.

Vice-Chairperson Stevens referenced the Commission Rules, Chapter IV—Conduct of Meetings, Section II, Item 5, on page 3, which states, "The Chairman, at his discretion, may alter or change the order in which agenda items are considered, depending upon his determination of the importance or urgency of an item." Vice-Chairperson Stevens said she believes Chairman Searcy decided, at his discretion as Chair, the ceding of time would be limited to an additional three minutes. She asked Mr. Weiss whether the Chair has the ability to take this action. Mr. Weiss responded that the rule she is speaking of specifically addresses the Chair's authority to change the order in which agenda items are addressed; this rule doesn't directly relate to the ceding of time issue. He said it is his advice to the Commission "that the Chair has the authority to control reasonably the conduct of public testimony. That would include the authority to decide whether or not to allow people to cede time. It could be done on a day-by-day basis, on an issue-by-issue basis. You could also have limited ceding, one time per meeting, one per person, and so forth, but it is within your discretion."

Chairman Searcy informed the public that the document being referenced is entitled, "Rules of the Los Angeles County Small Craft Harbor Commission." (Throughout the discussion, the document is referred to as "Commission Rules.") Mr. Wisniewski said he would ensure that copies are available to the public at the June meeting. Chairman Searcy referenced the Commission Rules' Chapter IV—Conduct of Meetings, Section II, Item 2, on page 3, which states, "Individual speakers may be limited to specific time periods of not less than three minutes, and are requested to present information not already provided. Speakers will be recognized only once on a given item." Chairman Searcy said relative to Mr. Weiss' comments that the Chair has the discretion to allow or not allow the ceding of time on a case-by-case basis, he isn't sure "we need to have an action if we already have the authority. If we want to establish something for a specific understanding, that's a different matter altogether. If we want to let people know clearly that is something we will exercise at the Chair's discretion, with some judiciousness, we could certainly do that."

Relative to Mr. Weiss' opinion that the Chair has discretion to allow the ceding of time on a case-by-case basis, Commissioner Law asked him from where the Chair's discretionary power derives since the Commission Rules state that the Commission's concurrence is needed for such an action. Commissioner Law referenced the Commission Rules, Chapter III, Section 9d--Chairman Duties and Powers, which states the Chair possesses the power to, "Allocate the length of time for public discussion of any matter in advance of such discussion, with the concurrence of the Commission." According to these rules, Commissioner Law said it appears that the ceding of time needs the Commission's concurrence and is not within the Chair's discretion. Mr. Weiss responded that the section referenced by Commissioner Law, "specifically addresses in advance, deciding that you're going to spend an hour on an item or 20 minutes on an item. It doesn't refer specifically to the individual time allocated to an individual speaker."

Mr. Weiss said the section pertaining to the individual time allocated to an individual speaker is in Chapter III, Section 9f--Chairman Duties and Powers, which states the Chair possesses the power to, "Limit the amount of time that a person may address the Commission during a public discussion period in order to accommodate those persons desiring to speak and to facilitate the business of the Commission." Mr. Weiss said that this rule, in conjunction with the rule that allows the public to speak for a minimum of three minutes, is from where, he believes, the Chair's discretionary power derives. He explained that three minutes could be both the minimum and the maximum. A speaker cannot be restricted to less than three minutes, but does not have to speak for three minutes.

Commissioner Law said he isn't opposed to the Chair having reasonable discretionary power, but the change that was within the Chair's discretion relative to the ceding of time has "proven to be challenging to at least three members of this Commission." He suggested that the Commission receive public input today and postpone taking any action until the "full Commission hears this and decides whether or not we're all agreed on what operating rules are going to be as opposed to a case-by-case basis at the discretion of the Chair, whoever that might be."

Commissioner Law mentioned that the Commission Rules call for an election of Commission officers every January. He asked whether this was done. Mr. Wisniewski informed him that the January election wasn't held, but the election would be held in June. Commissioner Law asked the Chair to review the Commission Rules and make a judgment regarding how well the Commission is implementing its own rules.

Commissioner Law said he would "like to give the Chairman the advice of the sense of the Commission as is implied with Commission concurrence on length of time so he may be guided by what the pleasure of the Commission is when he exercises his discretion." Mr. Wisniewski said, "from staff's perspective, what we heard from the Commission loud and clear at the last meeting was they felt that there was inappropriate use of the ceding of three minutes to other speakers and that was something they were not comfortable with allowing to go forward, so as you take public testimony on this, they may want to direct their comments to that particular issue because I certainly see that as the direction that at least two other members, and I'm certain of, probably, three other members, maybe four, are going at this point. I have to say, from staff's perspective, I think the ceding got a little out of hand at the last meeting."

Chairman Searcy said for the benefit of the public and his fellow Commissioners, "I am not confused at all by the comments and categorization and wishes as expressed and opinions expressed by our fellow Commissioners who are not here. I think it was very clear, at least to

me and the other two who weren't here that it did get out of hand. We had tried to extend as much public input as possible, and, quite frankly, from the Chair's point of view, it was abused. If we want to wait to address that, that's one thing, but the Chair is prepared to address it today."

Vice-Chairperson Stevens offered to withdraw her motion. Chairman Searcy suggested that she not withdraw her motion at this point, but wait until after public testimony to decide.

Chairman Searcy informed members of the public that, per the Commission's existing rules, they are limited to three minutes. Additionally, per the existing rules, any request for ceding time to other speakers would be granted or denied by the Chair. Mr. Weiss said that Chairman Searcy's earlier comment about the judicious use of discretion is well taken. He advised the Commission that if it "were going to provide for ceding, you should announce that in advance. It should not be used so that some individuals are authorized to cede and others are not. In my opinion, that would not be a judicious use of the authority. And, I just want to caution the Commission about using that power in an objective and impartial manner."

Chairman Searcy opened the floor to public comment.

Mr. John Davis said, "It should be completely within the discretion of the Chair to determine whether time is ceded or not ceded because it's not stated in the rules and that's the logical operator. However, I think it should be stated at the beginning of each meeting whether time could be ceded or not and not changed in the middle of the meeting because people may feel that they were being treated unfairly, so I would just recommend that you state the case at the beginning of each meeting and use your discretion."

Mr. Weiss informed the Commission that it could announce whether the ceding of time would be allowed at the beginning of the meeting or, if the Commission wished, decide the ceding of time on an item-by-item basis depending on the matter's length and complexity.

Ms. Carla Andrus said, "If the meetings were long and you had an issue with ceding the time, I would suggest that if these meetings are too long, instead of shortchanging the public on this, maybe you could shorten the agenda some." Chairman Searcy commented that Ms. Andrus has a good idea.

Mr. James Sokalski, president of MdR News, suggested that the Commission, "look at the issue of amount of time given to the public and ceding time in the context of issues raised about public participation in general. That's 30006 of the Public Resource Code and the County Counsel recently has developed an opinion presented to the Board of Supervisors. I haven't read it yet. I haven't received it yet. I think the response at the last meeting to the ceding of time and to speaking was kind of a desperate attempt to participate in the system a little better than has been afforded the public in the past. Particularly earlier on in the process. Understandably, it presents some issues with managing a meeting such as this. If possible, I would like to give you some thoughts of this and E-mail them to you or mail them in a larger context. For example, how the Coastal Commission handles public testimony." Chairman Searcy requested, for ease of distribution and dissemination, that Mr. Sokalski provide Beaches and Harbors' staff the material so they could forward it to Commission members.

Mr. Sokalski continued, stating that the Coastal Commission, "has spent some considerable time developing policies about it. They do differentiate amongst the issues, how much time is allowed, to allow time for organized presentations as a major element of public participation and

speaking. That's the problem. If we could only speak three minutes, and there's some very large issues, the only way you can have a cohesive presentation requires more than three minutes. I think that's what Commissioner Lesser responded to in presenting the motion before, that time be allowed, to be ceded three minutes to equal a total of six minutes. So, rather than rush to a solution, I would like to provide some information, open it for discussion a little more, perhaps. You certainly have the power to decide whatever you want to do, but I'm suggesting you take the time to look at it from a variety of point of views first." Chairman Searcy commented that the Commission looks forward to seeing his material.

Mr. Steve Weinman, Dock 77, said, "It's encouraging to see the amount of weight this is being given. It has far reaching implications. As you know, this is, by and large, the public's only opportunity, the only window we have to speak to almost everything that goes on in the Marina."

Chairman Searcy said one of the things that he tries to continually do is inform the public that the Small Craft Harbor Commission meeting is one of the opportunities and certainly not the only one in which they can participate. He explained, "It definitely is not the one that may have the determinative and disposition powers over an issue, over matters of traffic, development, etc., architectural approaches. The Planning Commission is a public forum. The Planning Commission meets specifically with conditions on mitigation, with conditions on issues of soils, with conditions on height, etc., buildings, as well as the Coastal Commission, and there's probably some others. We have in the past distributed a document here from a presentation which showed the entire approval and regulatory process in a variety of other entities. I would continue to urge members of the public to avail themselves on those issues. These forums do go to the specifics of developmental opportunities and actions. I mean to the heart of them. To not avail yourselves of those forums where you can be heard, where they directly affect building permits, number of units, timing of slip vacancies, etc. I just wanted to mention that because there are people here who have not heard that and I didn't want them to be misled." Mr. Weinman said he appreciated Chairman Searcy, "bringing that up. Many members of the public feel kind of trapped because they don't always know about this, so your continued education is good for all of us."

Chairman Searcy asked whether staff could place on the public information table at each meeting the material that was presented at a previous Commission meeting regarding the regulatory process. Mr. Wisniewski responded that the Marina development information is included in the Marina's Development Report on a project-by-project basis. This report is updated each month and is available to the public at the Marina library, the Visitors Center and the Department's administration building. Chairman Searcy explained he was referring to the regulatory process in general. He said the Commission was given an excellent presentation by, he believes, the Planning Commission. Mr. Wisniewski said if the information isn't already attached to the Department's Marina Development Report, he would make sure it is attached. Chairman Searcy said, "on each specific one, that's great information, but you have people that want to know in general how they impact it, let's just have it out here for them to have."

Mr. Weinman continued, stating, "As most of the boaters here, as almost all of the boaters here are, aside from a few liveaboards, they are considered visitors. You could easily consider them visitors. A lot of them come down here to visit their boats, visit the Marina, and they don't always take the time to go to the Visitors Center, to the governing body centers, therefore, they don't always get this information. If there's some easier way of getting it to them, maybe through the leaseholders with their bills, with their monthly statements, something like that, I'm sure it would be quite appreciated."

Vice-Chairperson Stevens requested that when the issue of ceding time to speakers is agendized, staff broaden the Commission's ability to talk about other aspects.

Mr. Nicholas Coster said he, "would just appeal to continue the Chairman's jurisdiction over the time allotted to the public. In your case, in my experience listening to you Mr. Chairman, you certainly are a fair man and have proven to be so. Your successor...I'm simply concerned that this prerogative would not, in any way, be cancelled in the future. In your case, we happen to have a fair-minded person, but to ensure that the public's right for a decent amount of time. A lot of people aren't trained speakers, they're not as organized as conceivably they might be, but they should be given the time to express their views, so I just ask that this precedent be continued in the future."

Commissioner Law said he wanted to "concur that the Chair is a fair person and good person. I would like to make the same statement of the Vice-Chairperson and also of the absent Commissioners. We are blessed with great leadership that is fair and honest and I have great confidence that the successor, should there ever be one to Commissioner Searcy, would also be a fair person, and a good person, and a reasonable person." Chairman Searcy thanked Commissioner Law for his accolade.

Vice-Chairperson Steven's motion was reintroduced into the discussion. Specifically, Vice-Chairperson Stevens moved and Commissioner Law seconded a motion for the Commission to postpone taking action on Agenda Item #4a until there are at least four Commissioners present at the meeting. Vice-Chairperson Stevens and Commissioner Law voted in favor. Chairman Searcy opposed. The motion failed.

Mr. Weiss said the Commission Rules provide that "a majority of the Commission, not a majority of the quorum is necessary to carry a vote...If you don't have three votes in order to take the action, the practical effect of the matter is that it would be carried over until the next meeting."

Chairman Searcy said that since the motion failed, he wants to be clear about what action needs to be taken. Chairman Searcy suggested that he tell Mr. Weiss what he would like to have in the form of a motion and Mr. Weiss could help him to craft it. Chairman Searcy said he would like a motion in which the "Chair has the authority to grant speakers the ability to cede time or not. People are limited to a minimum of three minutes and that is the rule that we are utilizing; three minutes per speaker, no duplicative testimony, and we have been very lax on that, letting people come up and say the same thing over and over again. That may or may not continue. That is what I would like to have in a motion so that it is clear the Chair has the authority to cede, but it is not automatic; just because someone requests it, it doesn't automatically happen. I can say yes or I can say no. We've already clarified that we would make it specific as we go, item-by-item, per the rules, in terms of length, etc."

Mr. Weiss said the motion to continue failed because there was not a majority of the Commissioners present. The Commission is free to put any motion on the table, but needs three votes for the motion to be adopted. He said Chairman Searcy's motion "to be quite honest, is not taking any different action. I think what you described is already the rules of the Commission. Based upon the advice of my office, what you described is already within this Chair's discretion. So, in other words, you don't need to do anything to implement what you just described. There is no motion that's necessary. There's no change that you are contemplating by your motion as I understand it." Chairman Searcy said, "In effect, what you're telling me is

that when we made a motion, we had all that discussion and a motion to have the ability to cede time, that we didn't need to do that." Mr. Weiss responded that, "My recollection of the last meeting is that there was a discussion by the Commission regarding whether it was appropriate to continue to allow the ceding of time or whether it should be more limited or whether it should happen at all. I was asked whether or not there was going to be a standard effective rule of the Commission, for instance, that specifically did not allow ceding and it was going to be a standard rule that was not subject to day-by-day interpretation, whether or not that should be agendized as an item and I suggested that it ought to be. That is my understanding of why this item was put on the agenda. That's slightly different from what I understood the Chair's motion to be right now. I understand the Chair's motion to be reflective of what already is in effect and does not require any action of the Commission."

Chairman Searcy asked Mr. Weiss whether it is possible to make a motion in which it is clear that it is not the standing rule to allow ceding on every issue and that it would be done on a case-by-case basis. Mr. Weiss responded that he believes it is a given already, however, in order to provide public disclosure, the Commission could adopt a motion that would state it is within the Chair's discretion to do so on a case-by-case basis. Chairman Searcy asked could the motion also include that the ceding of time is not a right or a privilege or something the Commission automatically allows. Mr. Weiss responded that he thinks that it is already true, but if the Commission wants to make this rule clear in a motion so there is no misunderstanding, the Commission is allowed to do so. Chairman Searcy said he would make this his motion. Commissioner Law informed Chairman Searcy that he would not support his motion.

Commissioner Law said he thought he heard Mr. Weiss state earlier that it would be an injudicious use of the Chair's prerogative to allow a case-by-case, individual-by-individual, testifier to cede time. He asked whether he heard Mr. Weiss correctly. Mr. Weiss responded that he tried to distinguish between that and an agenda item by agenda item utilization, which he believes would be appropriate. Commissioner Law said the Commission did not previously deal with this degree of intricacy at the last meeting. He asked how to get the issue placed on the June agenda since the motion to continue the item until the June meeting failed. Commissioner Law explained that his understanding is that it is enough when a Commissioner requests an item to be agendized to have it agendized. If this remains the policy, Commissioner Law said he would like to have the issue of ceding time for speakers agendized for the June meeting. Chairman Searcy informed him that the matter is already agendized. He added that Commissioner Law raised an interesting point when stating more information regarding the issue's intricacies were revealed after voting on Vice-Chairperson Steven's motion. Chairman Searcy asked whether Vice-Chairperson Steven's motion could be reintroduced.

Vice-Chairperson Stevens stated that she wants the item to be reconsidered at the next meeting. Relative to how the issue is titled on the June agenda, Vice-Chairperson Stevens requested staff to broaden the title so the Commission could go beyond the ceding of time discussion if it chooses. Mr. Weiss informed the Commissioners that if the issue is broadened for the June meeting, they would have to allow the same speakers who addressed the Commission today to speak in June if those speakers want to address the item's other aspects.

Vice-Chairperson Stevens moved and Commissioner Law seconded a motion to "continue Agenda Item #4a--Rules Regarding Ceding of Time for Speakers to Address the Commission, to the next meeting and request of staff that the item's wording be broadened so that we could go further afield in discussing the various other items, including Chairman's duties and so forth." Chairman Searcy asked Vice-Chairperson Stevens whether she wants the Commission Rules, in

general, to be agendized. He explained that he believes the current name of Agenda Item #4a--Rules Regarding Ceding of Time, covers a variety of things and is broad enough as it is currently stated to cover discussion of everything that impacts on the question of time for public speakers. Vice-Chairperson Stevens said what is lacking is what is permitted within the Chair's discretion, which she would like to be included. Chairman Searcy informed her that he believes it is already included. Mr. Weiss said the item currently before the Commission would provide a forum for its members to decide to prohibit ceding or allow it to be on a case-by-case basis.

Vice-Chairperson Stevens moved and Commissioner Law seconded a motion to continue Agenda Item #4a--Rules Regarding Ceding of Time for Speakers to Address the Commission, to the June meeting. The motion passed unanimously.

5. STAFF REPORTS

a. Ongoing Activities Report

Mr. Wisniewski stated that at its April 23 meeting, the Board of Supervisors approved the Request for Proposals (RFP) for Development of Hotel and/or Other Uses on Parcels GR, IR and NR. The RFP's availability is currently being advertised.

Mr. Wisniewski reported that at the May 13th Board of Supervisors' meeting, the Contract for Pacific Adventure Cruises, Inc. was approved, which would provide a water shuttle in the Marina beginning Friday, May 16, from 5:00 p.m. - 10:00 p.m. and 10:00 a.m. to 10:00 p.m. on Saturdays, Sundays and holidays. The shuttle would operate from May 16 through Labor Day weekend and cost $1.00 per person. The shuttle sites are: Fisherman's Village, Chace Park, Mother's Beach, and the Fire Station, which is adjacent to the Ritz-Carlton and California Yacht Club.

Mr. Wisniewski reported the Design Control Board approved a plan for identifying the public promenade, which the Department plans to officially declare open. Certain devices, called wind disks, will be placed along the promenade to note its existence. Banners will also be used to note the locations for the water shuttle sites. He said the Department is delighted the Design Control Board approved a program to highlight the public promenade and banner the existence of the water shuttle sites. He thanked the Visitors and Convention Bureau, which provided the money to design the banners. The Department is excited about the contract, which the Board approved unanimously at its May 13th meeting. Mr. Wisniewski reported that the ramp at Chace Park was retrofitted to comply with Title 24 guidelines. The Department has now exceeded the federal guidelines for Americans with Disabilities Act (ADA) access.

Mr. Wisniewski said the Department received a grant from the Coastal Conservancy to fund a soy mixture, which will be going into the diesel of the Miss Christi so it would be partially soy-powered. The contractor purchased an $86,000 vessel called the Electric Lady, which is solar powered and has a gas-assist engine. Mr. Wisniewski said staff is excited about this environmentally friendly system being piloted in the Marina. The Coastal Conservancy advised the Department that it would fund its purchase of another Electric Lady if it works out well this year. There is interest in expanding the water shuttle program and a few additional sites are being considered.

Mr. Wisniewski informed the Commission the Department intends to meet with Fire Department personnel after every weekend. The fire dock site created a certain degree of controversy,

particularly by California Yacht Club members who protested the contract before the Board of Supervisors. The Department intends to work out any kinks that may arise.

Commissioner Law said he walked along the promenade this morning and found that it comes to an abrupt ending at the California Yacht Club facility. He asked Mr. Wisniewski the reason for this. Mr. Wisniewski responded it is one of the unfortunate ways that Marina del Rey developed. As the Department goes forward with development projects, any lessee that has to obtain a permit through the California Coastal Commission, which they all do, must open up the waterfront promenade. When the California Yacht Club comes to the Department for redevelopment, it will be required to open up a waterfront promenade. Mr. Wisniewski said he met with Steve Hathaway, the lessee's representative, and proposed to extend the promenade through the leasehold, bi-secting the leasehold, and not interrupting the privacy of the Club's dining and club facilities. This proposal was rejected. Mr. Wisniewski said he doesn't have a way of insisting on the promenade because of the way the contracts were written, but at the first opportunity, he will make the matter the first item on his agenda.

Commissioner Law said the promenade is a public access issue and the water shuttle is a different kind of public access issue. He said, "Perhaps, if it may make its way into the minutes and you might choose to supply them to see at the California Yacht Club that people who live in glass houses should be careful when they throw stones." Mr. Wisniewski clarified that the lessee did not appear before the Board of Supervisors, but, rather, three individuals who were members of the California Yacht Club.

Chairman Searcy opened the floor to public comment.

Mr. John Davis informed the Commissioners that he is representing himself at today's meeting. He said, "First of all, the Director stated that a Coastal Commission permit would be necessary for the Miss Christi, which may sound a little friendlier on soy, but I just question its ability to operate on soy. The Director said the Coastal Development Permit, and you can review this on the audio record, an approval from the Coastal Commission would be necessary to employ this vessel." Mr. Wisniewski interrupted and informed him that he did not say that. Mr. Davis continued, stating "the Director did state, I believe, and I'm sure the record will support this, that Coastal Commission approval would have to be made, therefore, I question the Director's ability to employ this service before the Coastal Commission approves. All of the projects on this item are inconsistent with the deed of perpetual easement and right of way granted to the..." Chairman Searcy interrupted and informed Mr. Davis that he should stop for a second. He asked Mr. Weiss for an opinion. Mr. Weiss responded, "If the Commission is asking if the Commission had this before them last month and has already taken an action, it's not for the Commission's consideration. The Director is now reporting to the Board follow up on the action and the Commission is not required to hear testimony again regarding the merits or lack of merits of the proposal."

Mr. Davis said he would restrict his testimony to the merits or demerits of the proposal. He continued, stating "The demerits of all of these proposals are that they are inconsistent with the perpetual right of way and easement granted to the United States by the County of Los Angeles, Burton Chace, recorded in Book 296, page 840 of the Recorder's office in the County of Los Angeles. Let the record show that I'm providing a copy of this easement, which clouds all titles in Marina del Rey, to the secretary after the meeting to copy, to include as part of the permanent record. The demerit is all of these proposals threaten to violate the Coastal Act and the LCP, which is a violation of the Coastal Act, to threaten to violate the Coastal Act, so this is another

demerit. The final issue that I want you all to know about is that Marina del Rey is being investigated by the liaison between the Senate and the Congress and he is Major General William J. Lennox, Jr. and I will provide this information and other information for the secretary to copy and record as part of this record."

Vice-Chairperson Stevens asked the status of her request from the April meeting that Mr. Weiss provide the Commission with information relative to jurisdictional issues. She would like this issue to be agendized so that "we have our Counsel's opinion and know where we're coming from and what we're doing because every meeting we hear from the public that we're doing it wrong." Chairman Searcy asked Mr. Weiss when the material would be presented to the Commission. Additionally, he requested that when the material is ready, Mr. Wisniewski agendize the meeting in plenty of time to inform the public. Mr. Weiss responded that during the April meeting Vice-Chairperson Stevens requested a written report and he indicated at that time he would try to prepare the report by the May meeting, but would request an additional month if he was unable to meet this deadline. Mr. Weiss said he is grateful Mr. Davis brought the documents today and plans to provide them to the secretary. Mr. Weiss explained that Mr. Davis agreed during the April meeting to provide Mr. Weiss with the material, but Mr. Weiss hasn't yet received it. He said that not having the material has been somewhat of an impediment to him completing the report and he expects to receive the material today.

Mr. Tim Riley, Marina del Rey Lessee's Association, said, "I just want to add something to the record. The Association formally supported the water taxi. We testified before the Board of Supervisors on two occasions recently: two weeks ago and then yesterday. Mr. Steve Hathaway, representing the California Yacht Club, is a lessee representative and member of the Association. He concurs with that support of the water taxi system. I want to make it very clear that he is supportive of it. I talked to him personally when it was apparent that some members of the Yacht Club were opposed and came down to the Board and testified against it. Those are individuals. They may be members of the Yacht Club, they do not speak for the Yacht Club. I wanted to make that very clear. The Association is firmly behind the water taxi concept. It is a good thing for the Marina. We want to encourage its use and think it's going to bring more visitors to the Marina. I just wanted to add that so that the Commissioners were not in doubt about the support of the lessees for this."

Ms. Carla Andrus said, "This taxi, which I always thought, when it first came up, I had the idea of a small electric boat with a canopy over it and not using our limited slips for it, but however it goes, I hope we don't consider it recreation, and somebody said at the last meeting, 'as modest as a recreation as that is.' It's not recreation. It's a way to get people to the restaurants and all of this and to get them across from one point to another, but let's don't call it recreation."

Mr. Wisniewski said he "couldn't disagree more with her. I think it is a type of recreation for a family that has very modest means and may never have an opportunity to get on the water. A family of six can get on the water for $6.00. It may not be a recreation to a recreational boater like I am, although I have to say I consider it a type of recreation because I think it's gonna be kind of fun. But, I think to a lot of people, it would be a type of recreation and, hopefully, it will get people interested in pursuing more of a recreational experience by renting a boat or buying a boat."

Vice-Chairperson Stevens said the water shuttle is definitely public access and that is part of the Coastal Commission mandate to the Department. Commissioner Law said he disagrees with Ms. Andrus' contention and agrees with Vice-Chairperson Steven's view of this. He said he has

recreated in several harbors by taking a ride on their water taxi service and it is a great way to see the harbor. He didn't take the water taxi to go to a restaurant, but because it was a good way to see the harbor.

Mr. Steve Weinman expressed his opinion that "it would be the last point of recreation for the 2,000 small boat slips that we're going to be eliminating from Marina del Rey from people who can afford to have boats here. They won't be able to afford to have them here by the time the bar is raised to the point where they won't be able to afford their boats here and yes, this would be recreation."

Mr. Wisniewski said he would like to correct the record. He said it isn't true that there would be a 2,000 small boat slip reduction in Marina del Rey. Mr. Wisniewski commented, "It's unfortunate that we give out accurate information and people continue to persist and live in dreams where information is presented back to you for consumption by the audience as truth. I think we as staff are going to have to start challenging these kind of comments in the future."

Mr. Nicholas Coster said, "I have no vested financial interest. I do run a charity teaching disabled scuba divers. I must compliment Mr. Wisniewski on the environmental information that you've given today. I'm fascinated. I'm fairly new here. I was in Oxnard for 18 years running this disabled diver program, but I was really very moved by the amount of interest that you exhibit. Just so it doesn't seem like every boater out here is ganging up. I take issues, each one as they come up. I don't feel that I have any prejudice whatsoever, so I compliment you on your apparent interest, proven interest, in the environmental issues."

b. <u>Marina del Rey Convention and Visitors Bureau (CVB)</u>

Ms. Beverly Moore informed the Commission that the CVB has just published a new group sales brochure, which she distributed to members of the Commission and the public. She reported, "As part of our outreach to meeting planners, we focus on attracting small groups to the Marina who can use our commercial charter boat companies, our restaurants and our hotels of course. In this new version, you'll see that we emphasize our community's special relationship to the water and to boating. We love to promote all the different ways people can organize activities on the water. Those include seminars at sea and retreats, sunset cruises, onboard receptions and mini-regattas. We recognize the unique position Marina del Rey has in our community. Also, for our visitors and residents who might be entertaining visiting friends and relatives, we have just published a new map and guide to the Marina. This map is larger and more detailed then our previous version and includes lots of helpful information. 75,000 copies have been printed and are being distributed throughout the community and Southern California."

Ms. Moore explained that since the Director has already covered the collaboration between the Department of Beaches and Harbors and Convention and Visitors Bureau on the banner and wind disc project, she wouldn't go into any detail on the subject, however, Ms. Moore did inform the Commission that, "This is a very important project for us because it does create a new sense of warmth and welcome in the community. We have lots of activities to promote this summer in the Marina, with the waterfront walk and the water shuttle being front and center, but by creating a new integrated well designed family of color and design, we think it would be much more effective and much more beautiful for the community."

Chairman Searcy opened the floor to public comment.

Mr. John Davis informed the Commission that he is speaking on his own behalf. He said, "Regarding the purpose of the Convention Center, it seems like it's solely to promote 5-Star hotels that are located in the federal project, Marina del Rey. It seems to promote luxury, I mean like conventions of corporations in Marina del Rey in these 5-star hotels. So, what I will say to you in short...the Convention Center is clearly violating the tenets of the congressional intent, which I'm going to submit at public comments time. I will give you all of the congressional documents that show Marina del Rey is not intended for 5-Star hotels, not in any way or form. It's not intended for conventions either. So, basically what this represents is a public investment of capital to promote private interests, which are 5-Star hotels on a federal project and public park, Marina del Rey, and I object to this Convention Center."

6. COMMUNICATION FROM THE PUBLIC

Chairman Searcy encouraged members of the public to come forward and informed them that they have three minutes to speak.

Mr. Davis said, "I have brought a copy of Policy Statement 25, which was requested by Commissioner Stevens. I would like to submit this to the secretary to copy. This is my only copy, so I have to keep my original. I would also like to make a statement regarding the parking lot over by the Cheesecake Factory. Every night there are probably about at least 70 vehicles being parked in there, but they're not going through the County gate and paying. The valets are unlocking a gate and parking lots of cars and charging valet parking fees in this parking lot and I don't believe the County is getting a penny of it. As per the request of Commissioner Stevens, I am providing the following documents to the secretary to copy. They're my originals, so I have to make sure that copies are made and I want to submit them for the record."

1) Title 1: Rivers and Harbors, which shows Marina del Rey as a federal project authorized for cutting and dredging of the harbor and other purposes.

2) House Document 389 of the 83rd Congress in 1954, which describes Marina del Rey, describes what Marina del Rey will be. In fact, that's where this Commission originates. House Document 389 addresses the fact that this Commission will basically be here to run Marina del Rey.

3) HR7481, a House law from the Senate and Congress of the United States authorizing the federal project.

Mr. Davis also submitted other documents, informing the Commission, "I submit to you the Perpetual Deed of Easement and Rights-of-Ways. This is the most pivotal document there is. This is where Burton Chace himself signed over all lands, easements and rights-of-ways to construct a harbor described in detail by the 83rd Congress in House Document 389. This easement clouds all titles in Marina del Rey, all titles, and if it's not showing up on your title reports, there's a huge problem with the title company and that should be addressed. Lastly, Senator Boxer and Senator McClain requested that Roger Moliere respond to Dan Cohen regarding his concerns that Marina del Rey is being abused by the County of Los Angeles by abridging and interfering with those easements and rights-of-ways granted to the United States in 1954. The next and final document is a letter from Senator Boxer to Major General William J. Lennox, who is the liaison between Congress and the Army. They are conducting a review of Mr. Cohen's assertations that the County is extrajurisdictional and has abridged and interfered

with those rights and easements and lands granted to the United States forever and in perpetuity in 1954."

Mr. Joe Chesler, Chief, Planning Division, informed the Commission of an activity that was omitted from the Ongoing Activity Report because it wasn't confirmed at the time the report was issued. He said it has now been confirmed that the National Boating Safety Week celebration will begin at Burton Chace Park, at 9:30 on Friday, May 16. The Department of Beaches and Harbors, Fire Department and Sheriff's Department will act as hosts. Representatives from the Department of Boating and Waterways, the Director, and Secretary of Resources, will be here for the event. He encouraged everyone to come and participate.

Mr. Nicholas Coster said,"I compliment the Chairman regarding the first issue, which was the length of time afforded to the public. Mr. Davis has obviously done a great deal of research. Whether one agrees with him or not is irrelevant...I compliment the Chairman on allowing that the time allowed is a minimum of three minutes, not a maximum. The issue I would like to bring up is...the recent notice by Bellport who have control now of most of Basin A, there have been some instructions, with the obvious result if you disagree or don't obey those instructions, that your lease will be terminated, that we cannot any longer have our crew, in my case I have a crew on one of my boats, work on the boats. Now, understanding clearly, that one cannot violate environmental rules, etc., that are given. It's a long tradition of having your crew work on your boat and to have that made impossible I have to take issue with. I only present it as a problem. I don't have a solution, except that traditionally we who have boats, larger boats especially, have a crew that is entitled to work on them."

Commissioner Law said he heard a complaint about a new lease for a dock that was redeveloped that had highly restrictive language about crews working on boats. It is his understanding that this restriction is required by the County. Mr. Wisniewski informed the Commission that he would report on the matter at the June meeting.

Mr. Larry Derr, owner and operator of Insane Bait, a Marina del Rey company, informed the Commission he is the major supplier of bait to the fishermen. He said, "I made a living for 17 years here in the harbor and I've been doing bait for the last seven years. I recently lost my slip position at the fuel dock, which I'm trying to deal with getting back. But, in the mean time, I'm having a hard time finding a slip to continue my operation just to moor my vessel. It's taken up a lot of my time trying to do that. My business I take pride in and I do it very well. I'm known for my quality of service and it's dipping into that because my time now is running around looking for a slip. Because the construction and everything, it was a bad time to lose my slip. I was given a list of 23 operators in the Marina that could maybe help me out, of which no one could. There are no slips available above 40' in this harbor to this date. Zero. None. There are a lot of spaces that could be utilized, where I probably could be put, but because of certain reasons, we're not allowed to moor here, we're not allowed to moor this space out. I think there are places that there should be exceptions made for somebody in my case because I do provide a tremendous service. The visitors that come because they know of me. It's a tremendous amount of service that I supply to the fisherman that go out of this harbor. I am their major supplier. Even though there are two of us, I am the majority when it comes to helping these folks. I'm just having a hard time finding a slip that's all. I wish there was someone who could help out." Mr. Wisniewski suggested that Mr. Derr speak to Mr. Chesler regarding the matter after today's meeting.

Ms. Andrus said that during a "recent Small Craft Harbor meeting, the Commission recommended that the Board release the Request for Proposals for some major developments around Mother's Beach, and around Mindanao and Admiralty Way." She asked how the public could participate in the process or would they be able to participate.

Mr. Wisniewski informed Ms. Andrus that responses to the RFPs would be brought before the Commissioners en route to the Board of Supervisors and copies would be made available to the public. All public documents, everything that comes before the Regional Planning Commission, Board of Supervisors, Coastal Commission, etc., would be provided to the public. The Department's recommended proposal would be brought before the Small Craft Harbor Commission in a public meeting, then before the Board of Supervisors in a public meeting. Assuming the Board authorizes negotiations, the Department then negotiates a lease and that lease comes before the Small Craft Harbor Commission in a public meeting and before the Board in a public meeting. Mr. Wisniewski said the development itself has to go before the Design Control Board in a public meeting, the Regional Planning Commission in a public meeting and, very likely, Coastal Commission, if it involves water. Often times, if it's landside development and is consistent with the LCP, it's typically appealed to the Coastal Commission as well. There are many public meetings where public input is solicited, invited and encouraged.

Ms. Andrus requested that an additional public meeting be held to obtain input about what the public would like to see included in the proposal. Relative to Regional Planning, Ms. Andrus requested that the public receive a report on projects that are submitted to Regional Planning. Mr. Weiss informed her that individuals who want notification about Regional Planning Commission items should contact the Department of Regional Planning. He added that he doesn't know whether Regional Planning would send notices to people who request them. For those who are interested, the Department of Regional Planning is in the County directory and could be reached via its website.

Ms. Andrus suggested the Small Craft Harbor Commission include projects on its agenda. Chairman Searcy informed her that the Small Craft Harbor Commission or Beaches and Harbors does not have "control of the information and the timing, quite often not at all, of the timing of other entities' schedules. When we know about it and it directly impacts and we have that information in a timely manner, I think we generally do let that information be disseminated. But, that's a courtesy we're doing and not an obligation on our part. I wouldn't want to get in the position of having the public make us responsible for publishing the notices on the agendas of other entities because we quite often don't get them all. If there is information that we have, certainly, Coastal Commission hearings that have direct impact, I think we do, once we know that information, include that in our posting and on our website to the greatest extent possible. So, we will continue to do what we can, but I think what Counsel is saying is that there is a web page, there are phone numbers for the Regional Planning Commission. To the extent that we know about it, we will disseminate it, but don't look at us as being the source documentation."

Ms. Andrus said she doesn't look at the Commission as the source and she is also aware it would be a courtesy. Ms. Andrus asked whether the developer who owns several parcels, including Fisherman's Village and Gateway Marina, has any projects currently before the Regional Planning Commission or when they might be. Mr. Chesler responded that two projects have proceeded through Regional Planning. He could not recall the projects' names, but the one that is south of Via Marina on Washington Blvd. was approved. The one north of Via Marina is pending review by the Regional Planning Commission and those notices are posted at the Marina del Rey library and are available on the Regional Planning Department's website and via

a link on Beaches and Harbors' website. Mr. Chesler said he would provide Ms. Andrus with the Marina planner's phone number if she wishes to seek further direct advice, which is also the subject of a letter being sent to her and should arrive this week. Mr. Chesler informed her that those two projects are proceeding and the others are not yet ready for hearing and she could be notified by contacting Mr. Johnson.

Ms. Andrus said there is a senate bill that requires notification to be given to "the people that have those apartments. You're supposed to give them notice as soon as that goes into the process. As far as I know, that's way over due and they haven't gotten notice yet." Mr. Weiss responded that Ms. Andrus has contacted his office about this matter. He explained there is a law for providing notification to apartment tenants, but he doesn't recall the specifics. Marina lessees are required to comply with applicable provisions of state law relative to notifying tenants. No one is excused from state law.

Chairman Searcy asked Mr. Weiss whether it is fair to state that, "when you have a chance to look at that law and as we work with any of the developments in the Marina, that if we see that there are some provisions, especially with new laws, that either they're: a) unaware of; b) aware of and don't know what to do; or c) aware of and are just ignoring it, that we will make them aware of their requirements and that we will follow up with regard to any notification we need to make to them about their obligations. Is that a fair statement?" Mr. Weiss responded that the Department and his office will, "do whatever we can to make sure that our lessees are complying with all applicable provisions of state law. New laws are adopted all the time and sometime there's a learning curve. I think that's the best way I could respond to that." Chairman Searcy asked whether there is a process that would take this into consideration on a going forward basis. Mr. Weiss responded that he "would do my best to make sure that I advise the Department regarding all these things so that they, in turn, advise the lessees. The lessees are under an independent obligation to be aware of all state laws regarding tenancy and so forth. We certainly are not adverse to making sure that they're aware of them if we're aware of them."

Mr. Sokalski said, "I wonder if you might agendize an item to consider the public participation conditions allowed here at this body to see how well they comport with the Coastal Act. For example, on February 24, there was a special meeting of the Small Craft Harbor Commission meeting in this room. The room was filled up with boaters here. They came from word of mouth...The sole item of that meeting was an option agreement that this Board was to vote upon, and recommend or not recommend, to the Board of Supervisors to approve. During that lengthy testimony from a lot of people that expressed concern, no one informed this group, specifically, the Director did not inform this group, that the item had already been agendized on the Board of Supervisors' agenda for the very next day, February 25. So, no one was aware of that. I find out late that evening...That clearly is not keeping good faith with the public of informing them of how they could participate in this process. It speaks to the intent to limit public participation very drastically. Carla Andrus brought up a point, when does the public and how does the public participate in the RFP process. I think what has been overlooked is the need to participate early on in the process, in the project definition stage and in the selection of the various proposals that are submitted. To simply say that you can participate by going to the Regional Planning Commission later is like you get to arrange deck chairs on the Titanic at best. The whole situation has already been set and headed for disaster. This has come up repeatedly. Just in the last couple of months was the issue of the water taxi or water bus service and the public brought up some good issues, good points about it, about the type of craft selected, points, and whatever. It didn't have to be hashed out this way if there was a process where the public comments could have been considered before it was brought to this meeting.

This is what many of us have been trying to promote for some time and looking to this Commission to encourage the Department of Beaches and Harbors to set up procedures, to discuss them and see if there's a better way to include the public. It would certainly help to slow down lawsuits and other problems if that were to happen."

Chairman Searcy stated, "For clarification, this is a public process. To say that...there is no public input process here and you want a different one just flies in the face of people wanting to speak and be heard here and our attempts to keep it an open process. To say that you have no impact on the RFP process until the deck chairs are arranged on the deck of the Titanic ignores the fact that the last, I think, two RFPs that came out had specific language and specific requirements put in there as a direct result of the public input to this public process. I think that is misleading. It's incorrect and I call your attention to the specific steps taken by staff in response to public comments about those RFPs. So, to say that you have no input to it until it's a done deal and the deck chairs are arranged on the Titanic is misleading."

Mr. Steve Weinman said, "What I would like to speak to, and I don't think it's brought up often enough, is basic affordability; public access to the sea and it being affordable. I've talked to Bellport. It's gonna cost Hunter Von Leer about $600 to put his boat in the dry rack storage. It's gonna cost Jimmy Stathis, whose 20' boat is right beside him, about $400... You're gonna price the small boaters out. You're eliminating small boat slips. You're eliminating the ability of the working man to have a boat here. I know Bellport's done a great job down in Newport to get the prices up and bring in more money for the governing bodies there and I'm sure that's their mandate here and they're doing it well. Bellport has set it up over on the end of Tahiti where the new slips are over there, like Mr. Coster addressed, their language in their contract states...the people who work on your boat have to have, like a $500,000 liability policy. If you can't provide that, you got to use Bellport's people, which is a monopoly. They're creating a monopoly and making it more difficult for people to maintain their own vessels. I don't know what the answer is to that, but I just hope that is remembered through the process and is addressed."

6. **ADJOURNMENT**

Vice-Chairperson Stevens moved and Commissioner Law seconded a motion to adjourn the meeting at 11:19 a.m. The motion passed unanimously.

Respectfully submitted,

Toni Minor
Commission Secretary

Small Craft Harbor Commission
Meeting of June 11, 2003
Minutes

Commissioners Present:

Carole Stevens, Vice-Chairperson
Joe Crail
Russ Lesser

Excused Absences:

Harley Searcy, Chairman
John Law

Department: of Beaches & Harbors:	Stan Wisniewski, Director Roger Moliere, Chief, Asset Management Division Dusty Crane, Chief, Community & Marketing Services Division Julie Cook, Planner, Planning Division
Other County Departments:	Rick Weiss, County Counsel Lt. Tracee Edmonds, Sheriff's Department Deputy Paul Carvalho, Sheriff's Department
Also Present:	Allan Kotin, Kotin & Associates Richard Volpert, Munger, Tolles & Olsen

1. CALL TO ORDER & ACTION ON ABSENCES

Vice-Chairperson Stevens called the meeting of the Los Angeles County Small Craft Harbor Commission to order at 9:36 a.m. in the Burton W. Chace Park Community Room, Marina del Rey.

Commissioner Crail moved and Commissioner Lesser seconded a motion to excuse Chairman Searcy and Commissioner Law from today's meeting. The motion passed unanimously.

2. APPROVAL OF MINUTES

Since only one of the Commissioners present today attended the May 14, 2003 Commission meeting, Vice-Chairperson Stevens postponed action on the minutes to the July meeting.

3. SERVICE AWARDS

Vice-Chairperson Stevens stated that the service award would not be presented today because of the recipient's absence from work.

4. REGULAR REPORTS

a. Marina Sheriff's Department Report

--- Crime Statistics

Lt. Tracee Edmonds, Harbor Master, reported there was a significant change for the month of May in certain criminal activities, mostly in the area of theft. In April, there weren't any boat burglaries, but in the month of May there were three. Additionally, an infant was found on April 5 in the channel, which has been deemed a homicide. It appears that the infant was abandoned by its mother immediately at birth and discarded into the water.

Lt. Edmonds reported there's been a significant decrease in violent crimes, aggravated robberies and assaults. She explained that during the summer months there is usually a higher increase in thefts of vehicles and boats. The Department has a plan to combat this problem throughout the next three or four months by deploying additional officers on the docks and in the parking lots.

--- **Enforcement of Seaworthy & Liveaboard Sections of the Harbor Ordinance**

Deputy Paul Carvalho reported that the May report, relative to notices to comply and warnings, reflects little change from the April report. There has been a change, however, in the number of impounds at the docks. Three more vessels were acquired and one was disposed of. Currently, there is an excess of 25 vessels that the Department is working to dispose of. Staff is working with the Property and Maintenance Bureau to obtain state grant funds to dispose of the vessels.

b. Marina Special Events

Mr. Wisniewski reported that the 29th Annual Marina del Rey In-Water Boat Show would be held on June 26-29, 2003. He encouraged members of the public to obtain a copy of the Special Events Report from the public information table. He said the Marina del Rey Fourth of July Fireworks' hours have been expanded. Fireworks will begin at 9:00 p.m. The water shuttle will be in operation on July 4th from 10:00 a.m. to 11:00 p.m. Vice-Chairperson Stevens asked whether an additional boat would be used. Mr. Wisniewski responded that he doesn't believe an extra boat is needed and he feels very comfortable with the use of two boats.

Mr. Wisniewski concluded his report by stating that detailed information on the Fisherman's Village Weekend Concert Series is also included in the Special Events Report.

5. NEW BUSINESS

a. Election of Commission Officers

Vice-Chairperson Stevens suggested that the election of Commission officers be postponed until the July meeting so the Commissioners who are absent from today's meeting would have the opportunity to participate.

Commissioner Lesser moved and Commissioner Crail seconded a motion to postpone the Commission's election until the July meeting. The motion passed unanimously.

b. Approve the Attached Resolution Authorizing the Execution of an Agreement for Grant Funds in the Amount of $55,000 from the California State Coastal Conservancy for the 2003 Marina Coastlink Water Shuttle Alternative Power Evaluation and Permanent Water Shuttle Feasibility Study

Mr. Wisniewski reported that the California State Coastal Conservancy grant money would be used to study the effectiveness of the electrical power and solar power water shuttle, Electric Lady, that's in service. The Coastal Conservancy informed the Department that if that vessel is successful, the Conservancy would fund the County's purchase of an Electric Lady II. Mr. Wisniewski said he has no doubt that the Electric Lady will be successful. He explained that the primary element of the grant would be to study the feasibility of expanding the water shuttle service, which he has expressed on record as his desire. The Conservancy is particularly interested in having a cross channel connection. Mr. Wisniewski showed the location of the cross channel connection on the Community Room's aerial map. Mr. Wisniewski said the study would identify the docks that are needed. The Sheriff's and Corps of Engineers would be contacted to ensure that navigation is not being impeded. He said the Conservancy is excited about the program and the service was named "Coastlink" at the Conservancy's request. Mr. Wisniewski expressed his agreement with the Conservancy that the cross channel connection is important. He added that the Conservancy is, perhaps, less interested in the Department's overall objectives of expanding the water shuttle service throughout the Marina, but realizes the two can work hand in hand. Commissioner Crail commented that there might be navigational problems in the area because it gets pretty crowded on a busy weekend when the

shuttle is operating the most. Mr. Wisniewski said this is one of the challenges that would have to be studied.

Before opening the floor to public comment, Vice-Chairperson Stevens informed the public that, for today's meeting, people who address the Commission "may receive an extra three minutes one time and one time only during this meeting, although you may speak for your three minutes on any subject that comes up."

Vice-Chairperson Stevens opened the floor to public comment.

Hearing no public comment, Vice-Chairperson Stevens said she would entertain a motion from the Commission.

Commissioner Crail moved and Commissioner Lesser seconded a motion to approve the Agreement for Grant Funds in the Amount of $55,000 from the California State Coastal Conservancy for the 2003 Marina Coastlink Water Shuttle Service Alternative Power Evaluation and Permanent Water Shuttle Feasibility Study. The motion passed unanimously.

c. Approval of Option and Amended and Restated Lease to Facilitate Redevelopment – Parcels 95S and LLS (Marina West Shopping Center) – Marina del Rey

Mr. Wisniewski reported that there are diagrams and pictures displayed today of each of the three Agenda Items: 5c, 5d, and 5e. These projects were presented at the public meeting that was held in the evening. Today, staff is presenting the option and lease agreements that would bring these projects to reality.

Mr. Wisniewski informed the Commission that the unit count for the Admiralty Apartments is 172, replacing 64 units that are currently in two structures. He pointed out a mistake in the Board letter, which, he believes, says the existing size is a single 4-story structure. The existing size is actually 64 units in two separate buildings. The apartment's redevelopment would result in one 4-story building with 172 units.

Mr. Wisniewski said that what's exciting about the projects on Parcels 95 and 97 is the dream of having parkettes on either side of Via Marina and Washington Blvd. at the entrance to the harbor. These two areas will be developed with water features and seating areas. Mr. Moliere said it's helpful to discuss Parcels 95 and 97 together because they're companions. One of the exciting aspects of the projects is that the lessee will build and maintain the projects at his expense.

Mr. Moliere said Parcel 95 is an existing collection of buildings that total approximately 21,000 square feet that would all be taken down, except for the Islands Restaurant on the corner, which would be completely refurbished.

Commissioner Lesser asked whether he should be excluded from voting on this agenda item since he has a financial interest in Islands Restaurant. Mr. Weiss responded that it would be appropriate for Commissioner Lesser to recuse himself from voting on the matter since Mr. Weiss can't rule out that the Commission's action might not have an economic impact on Islands Restaurant and Commissioner Lesser.

Vice-Chairperson Stevens said she would remove Agenda Item 5c from the agenda since three Commissioners are needed to vote on the item. Mr. Wisniewski requested that, as an alternative, the Commissioners discuss the item, take a vote and, if two members are in agreement, he would inform the Board of Supervisors of the vote count and that the Commission did not have a quorum and one individual had to recuse himself.

Mr. Weiss said Vice-Chairperson Stevens' statement about the need for three Commissioners to vote on the item is correct. He explained that the "Commission Rules' Section VII provide that three votes are necessary for any item, however, if there are not three votes available, the Commission may refer the item to the Board of Supervisors with a notation of the Commission's voting." Given this information, Vice-Chairperson Stevens did not remove Agenda Item 5c from the agenda.

Vice-Chairperson Stevens opened the floor to public comment.

Ms. Carla Andrus said, "I'm thinking that we should probably have workshops before we even continue with the rest of this....The public hasn't had the benefit of any workshops and, another thing, on the Admiralty Apartments, I'm wondering if the tenants of that apartment building have been notified about these public meetings as they are supposed to do by state law?" Vice-Chairperson Stevens responded that at least one tenant expressed to her his need to find a new place to live. Ms. Andrus asked her whether she believes the tenants were given notice. Vice-Chairperson Stevens responded that she believes the tenants were given notice. Ms. Andrus asked her whether the landlord gave the tenants notice. Vice Chairperson Stevens responded that she believes the tenants were given notice.

Mr. Rick Horner, a boater and member of a yacht club, said, "It looks like a beautiful project. I have a question on it though. I see that you mention 'park.' By looking at the diagram, it looks like a beautiful park to look at, but are there any other facilities in that park for any of the kids or teenagers or young adults to participate in any type of activities, rather it be basketball or soccer? Or, is this going to be an adult living situation where there are no pets and no kids allowed and only tourists can walk through and look at the beauty and we in the Marina can't enjoy this with any type of facilities made for us?"

Mr. Moliere responded that the project consists of a series of small pocket parks, referred to as parkettes, which are planned throughout the Marina. These are not planned to be public parks in the sense of a full facility that will draw people; the parkettes are much too small for that intent and are meant to be a signature entryway into the Marina. The parkettes are passing parks where people could stop for a minute and relax in the course of their enjoyment in the Marina.

Mr. Wisniewski said that Mr. Horner might not be aware of the overall plan, which was sent to the Coastal Commission. A number of parkettes were identified on the perimeter of the Marina to make the public aware of Marina del Rey, making it look more inviting and providing something that residents and visitors would enjoy. He said that the former Union Oil Service Station, on the corner of Fiji Way and Lincoln Blvd., would have a parkette. Parcel 150, the Marina Physical Therapy building, would be torn down and a parkette built at the location. Parcels 95 and 97 would have the parkettes, as well as Parcel 83, which is currently the asphalt parking lot that's on the corner of Admiralty Way and Fiji, adjacent to the Waterside Shopping Center. Chace Park's expansion is also being planned to encompass the area where the Santa Monica Windjammer's Yacht Club is currently located. Mr. Wisniewski explained that the parkette concept was developed because the Department saw an opportunity to improve and do good planning for the Marina, which it has consistently been doing since the Asset Management Strategy was adopted in 1997.

Mr. Horner said, "I look at these developments and I'm not opposed to them, but my point is, I think some serious consideration should be given to if a family moves in what would their kids do. Is it going to be people-friendly for people living here, animal-friendly? I'd like to buy a place here if it's below the zillion dollars that I imagine it would be. I'd like to see consideration, if people live here and have kids or if there are young adults, or people even in their 20's and 30's, besides tourists coming in, besides being a beautiful entry way to the Marina, which I think is a wonderful thing, but consider that if people live there, they're gonna need a place to socialize and live, walk their dog, play with their kids." Mr. Wisniewski informed him that these are the reasons Chace Park is being expanded.

He explained that the Board approved the concept of expanding Chace Park into the Santa Monica Windjammers Yacht Club leasehold as well as into the Sea Scout Base. There is intent to develop an aquatic center in Chace Park to partly service the needs of the residents, as well as visitors to the Marina and the rest of the Los Angeles County population, who, Mr. Wisniewski believes, are underserved when it comes to the availability of an aquatic center in a Marine environment. Mr. Horner expressed his agreement with Mr. Wisniewski and informed him that he is involved with youth programs. Mr. Wisniewski told Mr. Horner that he should be excited and should support the Department's efforts relative to Chace Park's expansion.

Mr. Daniel Cohen, boater, said, "I think the idea of this park there is good, but I think what needs to happen is, when you take the buildings down, to not put any buildings up there, to make it all park land. I would like to call your attention again to House Document 389 of the 83rd Congress, Second Session, and the deed whereby the County of Los Angeles signed over the surface rights to Marina del Rey, to the federal government, to put a visitor-serving center, public open space, in here. We must remember that these are reclaimed tidelands that fall under the laws of the state of California and private development for private use is not allowed on these wetlands. I am right now speaking with different law firms to try and file, perhaps, a quiet title action to prevent the County from continuing to tell people they own this land without making them aware of the fact that there is an easement to the federal government that does not allow private property in Marina del Rey. This is illegal development. It flies in the face of laws passed by our federal government and they continue to refuse to make these documents...come out to the lessees. I think that anybody leasing this property should be well aware that the federal government has a claim, filed in 1958 in the L.A. County Recorder's Office, showing the federal government owns the surface rights to Marina del Rey, to put a park in here. I think it's time the County stopped taking federal lands inappropriately and using them inappropriately. I think it's just a matter of time now before I find an attorney that will handle this as a class action lawsuit against the County for land fraud."

Commissioner Lesser asked Mr. Weiss whether anything illegal is being proposed in any of the items being presented to the Commission today. Mr. Weiss responded, "I suppose this is partly my fault because, as you'll notice, the report on jurisdictional issues in the Marina was not available for this meeting and I apologize for that. However, I will state now what you will be reading in the report when it is available. In our opinion, the speaker is wrong. There is nothing being proposed today that is illegal or inconsistent with the federal rights. The federal government has an easement for navigation and maintenance. There is nothing that is being done that is interfering with that easement. An easement is not total property rights. There's nothing inconsistent with their having their rights and the County maintaining its rights. All of these projects contemplated by the Coastal Commission, these are not reclaimed tidelands. They were never subject to tideland trust under the state of California based on the manner in which these lands were accepted into the United States and into the state of California. You don't have to take my word for it, but that is the opinion of our office and that is our advice."

Mr. Cohen asked whether the County "would make available to lessees the federal documents and the federal easement so that these people on their own can make a decision on whether they have clear title before they invest their funds in these projects?" Mr. Wisniewski responded that the jurisdictional issue would be agendized for the July meeting. Commissioner Lesser added that at the July meeting, material related to this matter would be available to the public, lessees and anyone else who wants it. Mr. Cohen asked whether lessees would be provided the information. Mr. Cohen said, "I checked with the title companies and the title companies are not including this in the title reports. I pulled a full title report from a property on the Marina peninsula that's covered by this easement and mention of this easement is not showing up on title reports. So, I think that the County needs to come clean and let people know who owns the land when they're trying to lease it out."

Mr. Wisniewski said that the material relative to the easement that Mr. Cohen is referring to is available on the public information table. The material was provided by Mr. John Davis and copies were sent to the Commissioners along with a cover memo from Mr. Wisniewski informing them that the Marina del Rey jurisdictional issue would be agendized for the July meeting.

Mr. John Davis said, "I'm glad that the County finally has a copy of some of the very pertinent documents that pertain to Marina del Rey and may relate particularly to, I believe we're discussing, Item 5d today. I would first state that the County is extrajurisdictional because Marina del Rey...." Vice-Chairperson Stevens interrupted and informed him that the Commission is currently discussing Item 5c. Mr. Davis thanked her for her clarification and said his comments relate to Item 5c. He continued, stating "Marina del Rey is categorically excluded from the Coastal Zone according to the California Coastal Zone Management Plan approved by the National Oceanic and Atmospheric Administration (NOAA), thereby, this Commission is extrajurisdictional because Marina del Rey is supposed to be under the exclusive jurisdiction of the California Coastal Commission. Furthermore, Marina del Rey is governed under the Rivers and Harbors Act of 1945 under Section I, as the materials that anyone could review would indicate. Now, that means that is the primary governance. The secondary governance is under the Coastal Commission that is supposed to be categorically excluded; therefore, the Local Coastal Program (LCP), which we're talking about, is probably illegal on its face. Furthermore, the County Asset Management Strategy, which the Director informed us that the County adopted, is not approved by the California Coastal Commission and the County is using it to substitute what it would like to see happen in Marina del Rey for the logical legal jurisdiction, which lies with the Coastal Commission. Therefore, I request that this Commission, based upon the documents that are available to all of you today, not approve this item. And I would say not to approve it because not only do you have no jurisdiction, but the County has abridged and interfered with those rights granted to the United States in the deed of perpetual easement and right of way signed by Burton Chace in 1958."

Mr. David Levine, president of the MdR Lessees Association, said, "My purpose here this morning is just to urge you to move forward with this redevelopment of the parcels before you this morning. It's extremely important that all redevelopment which revitalizes Marina del Rey goes forward as quickly as possible. There's considerable public benefit to the addition and upgrading of visitor serving uses that are on these parcels and I would urge you to move forward as quickly as possible."

There was discussion regarding the action that would be taken on this item since only two of the three members present could vote. Commissioner Lesser would have to abstain from voting because of his economic interest in Islands Restaurant. Mr. Wisniewski said that, although only two members could vote, he would like the Commission to go through its normal process of making a motion and taking a vote so that he could inform the Board of the two voting members' opinions.

Commissioner Crail moved and Vice-Chairperson Stevens seconded a motion to approve the Option and Restated Lease to Facilitate Redevelopment—Parcels 95S and LLS (Marina West Shopping Center)—Marina del Rey. Commissioner Lesser abstained. The motion failed.

Mr. Wisniewski informed the Commissioners that their vote would be included in the letter to the Board of Supervisors.

d. <u>Approval of Option and Amended and Restated Lease to Facilitate Redevelopment – Parcel 97R (Marina Beach Shopping Center) – Marina del Rey</u>

Vice-Chairperson Stevens asked whether Parcel 97 is on Washington Blvd. Mr. Wisniewski responded that it is on Washington Blvd. He explained that the existing shopping center would be replaced and a new landscaped entryway park at the southeast corner of Washington Blvd. and Via

Marina would be constructed. Mr. Moliere stated that there is no significant change in size of the Parcel 97 project. The extension is short-term, 20 years, due to the size of the investment.

Mr. Wisniewski informed the Commission that Ms. Julie Cook, who is a planner, and staffs the Design Control Board, is replacing Mr. Joe Chesler, Chief of the Planning Division, at today's meeting. Mr. Chesler's absence is due to his attendance at a Coastal Commission meeting.

Vice-Chairperson Stevens opened the floor to public comment.

Mr. Davis said, "For the record, I would like to incorporate all of my comments by reference into this particular agenda item and I would incorporate all of that information because they're equally as pertinent. First of all, I would like to discuss the concept of parkettes. I think that's the name of a margarine if I'm not mistaken. Perhaps, it's a marketing tool for the County, oh, that's Parkay, pardon me. I believe that parkettes are really an attempt to eviscerate the purpose of the federal project as described in House Document 389. It's a purposeful attempt by the County of Los Angeles to take lands that were taken by the County with eminent domain powers with monies borrowed from the tidelands trust of the state of California to create a small craft recreational harbor. Now, what is happening is, by these extended leases that do not seem to comply with state lease law, which requires open bid and which requires that the determination of the lease on public land, the public has input to determine if indeed it's appropriate to continue to use the land for these purposes. There is no open bid. In fact, the County is giving control over lands taken with eminent domain law of the state of California, also utilizing the state bond laws and after taking them from private entities and then giving them over to private entities once again. This is a complete violation of public trust. The County was only to operate the harbor. The County has allowed private lessees with private land rights to operate the harbor, thereby interfering and abridging those rights deeded to the United States by Burton Chace on the behalf of the Board of Supervisors in 1958."

Ms. Patricia Younis, The Bridge Group, said she is "here this morning representing a major tenant in the shopping center, Joni's Coffee Roaster. She would like you to know that she is very much in support of this redevelopment and that she feels the revitalization to this center would be of great benefit to all the tenants at the center."

Mr. Ray Collins, MdR resident, said "I'm concerned with what's in it for the residents of MdR. I realize there's a lot of development going on here and there's going to be a lot of money to be made for the community, which is a good thing. As the Director was speaking earlier, he said the lessee is going to pay for these parkettes and is willing to pay for all these costs. Well, what's in it for the lessor? I thought these lessors are in it for the business, to make money. Why are they building parks? If they're building these little parkettes, which really don't serve the community, what I'm curious about is, what's in it for them?...What about Joni's Coffee Roaster? I'm curious, what is her lease going to be? Is she going to continue to stay? What about all the other lessors, are they still going to be there? I don't live too far from that area. I really like the Marina. I like to see positive changes happen. Again, the issue came up about parks. These parkettes are not parks, but the Director addressed the issue that this would become a park. Well, this would become a park, but this is also a leftover issue from last year about what would happen to the small boaters and the loss of small boat space, launching facilities and other things. I just keep seeing issues moving around and I see other things happening. I'm just curious. I come to the meeting...sure I don't understand the full picture, but maybe that's the public's right to understand the full picture. I'm just curious."

In response to Mr. Collins' question regarding what the residents gain from the development, Mr. Wisniewski responded that they gain an improved shopping center, an improved Marina entrance and improved services. He said the Marina Shopping Center was built in the 1960's and needs a major renovation. As for Joni's Coffee Roaster, it would have a market rate lease. Relative to what the developers gain, Mr. Wisniewski said they would gain a reasonable return on their investment. As for

the County, he said it would continue its stewardship of the Marina del Rey asset for the 10 million people who own Marina del Rey. Mr. Wisniewski said the Department is doing a good job and has master planned through the LCP documents and Asset Management Strategy. Unlike neighboring areas, where hi-rises are popping up left and right and, in Mr. Wisniewski's opinion, are not very tasteful, the Marina's growth is being planned in a deliberate and conscientious manner. The Coastal Commission members that voted on the amendment to the LCP that supported the development of Parcel 20, with the 99-unit apartment building, indicated that they felt the County was doing good planning in Marina del Rey; at least that was a comment made by one of the Commissioners. Mr. Wisniewski said it's important for the County to realize fair market rents from the Marina. The additional rent to the County supports the general fund services that are provided by the County to its constituents.

Commissioner Lesser commented that he believes the plan is excellent and the creation of parkettes enhances the community. He questioned why some members of the community don't think the parkettes are a good idea.

Mr. Horner stated that he wanted to clarify himself. He said, "A parkette is nice to look at, but it's not too difficult to understand when you live in an area that you need facilities to use. You need facilities for your kids, for friends. A parkette is just to look at, it is not enough. The Marina's Chace Park is not enough as well." Commissioner Lesser asked Mr. Horner whether he would prefer the areas intended for the parkettes to be paved over with asphalt. Mr. Horner responded that he doesn't believe there are only two choices, but multiple options. He said time and effort should be taken to understand what it's like for the residents to use the parkettes functionally.

Mr. Wisniewski said, "It's important to recognize that the leaseholds we're dealing with are encumbered with long-term leases, most of which have 20+ years left to go. When we renegotiate these and give extensions, we are trying to effect something that we want, which is redevelopment of the harbor and renovation. There's a balance there. We have to get fair market rent, that's our goal, which we overachieve in virtually every deal. We need to ensure the lessee has a fair and reasonable turn on his investment; otherwise, he won't be incentivized to go forward. That's the balance that we strike. I can't negotiate with the Parcel 97 lessee and tell him to scrape it and make it a park. I can, on an opportunity-by-opportunity basis, as we've done, redevelop the land as parkettes. It wasn't intended to substitute for park requirements in Marina del Rey. It was an added plus. Frankly, it was my pet. It was something that I thought of and I thought it was a good idea. I'm not taking away park space and giving these back in return. I'm adding these because I think it's important to the community. They aren't meant to be soccer fields, they're not meant to have basketball hoops, but at the same time, we're expanding Chace Park and that's not mandated either, but we're still going to do it. It's all a balancing act. Just because it's a good idea doesn't mean that it should be shot down."

Vice-Chairperson Stevens expressed her agreement with Mr. Wisniewski and said people are forgetting the tremendous amount of study that has gone into Chace Park and its evolution into a larger park. She said the parkettes are being blown out of proportion. Vice-Chairperson Stevens suggested that members of the public express their opinions at the Design Control Board meetings since its members were involved in the parkettes' design.

Ms. Andrus asked, "What about our workshops? You're making this plan and you're not including public input. The LCP is gonna be looked at...until maybe October or beyond, but that doesn't excuse the County from conducting these workshops and I would suggest the workshops be done before we continue with these same old proposals. You think it's been repetitive. We had this up before us before and they're opening up the new Request for Proposals (RFPs) for the beach.... Let's do the workshops please. You have a public that wants to participate, that wants to be included in how we develop this Marina, let's include them. It's like putting the cart before the horse, okay?

Let's put this in perspective. The whole thing is, the cart has run away, and the public is being left behind and you're imposing all of this on us without these workshops. It's time."

Mr. Greg Hill, a boater, said relative to Chace Park's expansion, "At the last meeting that I came here we were told nothing would be done to take away the affordable access to the Marina for small boaters and if you guys expand Chace Park you're going to be taking out Dock 77, which is the only affordable way for us small boaters to get our boats into the Marina, get them fixed, get them operational and have a good place to store them. This is the second time I've been here and everybody says we're not gonna do it, but there's no explanation on what you're gonna do. If you expand Chace Park to Dock 77, where is Dock 77 gonna go? What are we going to do? What's going to happen with Mr. Weinman? And another thing too, as a small business owner, I owned a business and because of state laws, it made my business less profitable and I had to close it and I'm very sensitive to places like this just taking someone's work for the last 10 years and just rolling over them. I'm not seeing any consideration to Dock 77. You guys aren't even mentioning it. When you're talking about how great Chace Park is going to be you're not talking about what you're going to do with Dock 77. One other thing, and probably why there's a little suspicion here, is you guys say you want to do the best things for the boaters. We've taken out about, there's about 20% less docks now because of the boating...People come down here for the boating, that's why it's so beautiful. Let's not take out all of the boats."

Vice-Chairperson Stevens said Chace Park is being expanded, but not one single thing would be done that would disturb the small boaters that utilize Parcel 77. She added that Mr. Wisniewski is on record stating that existing facilities would not be eliminated until replacement facilities are in place. Mr. Hill said that if Mr. Weinman is relocated to a really beautiful place that is much more expensive to rent, he won't be able to remain there. Currently, Dock 77 tenants have a place that is affordable and where their boats could be fixed.

Commissioner Lesser asked Mr. Hill whether he is against Chace Park's expansion. Mr. Hill responded that he is against it if it means the removal of Dock 77. Commissioner Lesser asked whether Mr. Hill would be against the expansion if Dock 77 facilities could be relocated to an identical situation somewhere else. Mr. Hill responded that Dock 77 could be relocated with the same rental rates, etc., however, the Department is not addressing whether identical rental rates, etc. would exist at a new location. Mr. Wisniewski clarified that the Department has committed that if any facilities are disturbed on Parcel 77, be it for Chace Park's extension or the Entertainment Retail Center, or whatever, they would be replaced. He said an RFP is available for the development of Parcel 52, with a dry stack boat storage facility. There will be expanded services for boaters and it is something to which they could look forward. Mr. Hill asked whether Mr. Weinman is included in the plans. Mr. Wisniewski responded that Mr. Weinman is a sublessee and the County doesn't have a contractual relationship with him. The services that are currently provided at Dock 77 would continue to be provided, however, there is no obligation on the part of the lessee or County to contract with Mr. Weinman.

Commissioner Lesser asked whether the County is supposed to make its plans contingent on Mr. Weinman even if someone else could provide the service who is twice as good as Mr. Weinman and costs half the price. Before a response could be given, Mr. David Levine interrupted. The discussion regarding Dock 77 did not pertain to an agenda item and Mr. Levine indicated that he would like to get the discussion back on track. Relative to Agenda Item 5d, Parcel 97R, he said, "I don't believe that any other parcel is subject to public comment at this time. I just want to again echo our support for visitor-serving uses and any redevelopment that enhances the quality of life for both residents and visitors and I would urge that this Commission move forward with this agenda as quickly as possible with the recognition that any redesign of any other parcel will be covered in the appropriate agendized items before a bevy of public agencies and public commissions at other more suitable times."

Commissioner Lesser moved and Commissioner Crail seconded a motion to approve the Option and Amended and Restated Lease to Facilitate Redevelopment – Parcel 97R (Marina Beach Shopping Center) – Marina del Rey. The motion passed unanimously.

e. **Approval of Option and Amended and Restated Lease to Facilitate Redevelopment – Parcel 140V (Admiralty Apartments) – Marina del Rey**

Mr. Wisniewski stated that there are currently two buildings at Admiralty Apartments, with a total of 64 units, that would be replaced with a 4-story structure with 179 units. Mr. Moliere informed the Commission that the project includes 17 low-income units in conformity with the County's policy. It should be noted that changes were made to the original design that was previously presented to the Commission. The whole project was moved farther back from Admiralty Way and additional landscaping was placed in front to soften the look. He said the project is a good one in that it provides additional low-income housing in the Marina and a brand new building to replace one that is not very attractive.

Vice-Chairperson Stevens opened the floor to public comment.

Mr. Davis said, "I'm incorporating all comments that I made by reference from Items c and d. I must say, first of all, to you regarding your jurisdiction here. I believe County Counsel is providing false and misleading information. In fact, I believe that members of the office of County Counsel are colluding and conspiring to commit land fraud against the United States of America and the state of California by giving over operational control of a federal facility which is to be maintained by the County and allowing private for-profit interests to operate the facility, abridging and interfering with those rights granted to the United States of America. I would further say that even that minimal amount of control that the County legally had to operate the harbor given to it by the United States of America is obliterated because Marina del Rey as per the Coastal Zone Management Act of 1972, is categorically excluded from the coastal zone, therefore, the County of Los Angeles is squatting on this property. The leases that have been given are artificial in nature and in no way valid. In fact, it seems to be criminal in that respect because the County is supposed to operate it or at least it was until the Coastal Zone Management Act excluded control from the County and gave it over to the Coastal Commission. This is inconsistent with the grand jury's findings of 1981 and County Counsel's recommendations to the chairman of that grand jury. I believe that another County, state grand jury investigation is warranted. I believe that a U.S. grand jury investigation is warranted and I am asking that the government accounting office of the U.S. of America investigate where the revenues have gone because they're supposed to be only based on free and reasonable costs, not market rate."

Vice-Chairperson Stevens said she read the material relative to jurisdictional issues provided by Mr. Davis and, until the Commission receives County Counsel's report, she will reserve all of her questions until then. Vice-Chairperson Stevens added that it is premature to make grandiose statements and she is not in agreement with Mr. Davis.

Mr. Collins said, "I don't have a problem with redevelopment in the Marina, I like living in a beautiful place. I like amenities. I like conveniences in life. I work very hard. I work a lot of hours. I enjoy a safe place for my wife to be while I'm at work. I just want to make it clear...I've talked to some people before about these meetings and what goes on. I've had friends, you know, I'm a member of a couple of clubs here in the Marina and they've said to me, 'well, we got on buses and we've gone to all those meetings and it doesn't mean s---, you're not going to get anything done.' You know, Mr. Davis and some of the other people out here that are representing the people have some facts. They know a lot more than I do, but I'm just speaking as a resident and I do want to see things happen. I understand your frustration. You think everybody out here just wants this to be a dirty rundown Marina, but I think the problem is the people just want some say-so. The people want to feel like they

have the right to their opinions. The general consensus that I feel is that a lot of people around me on the other side of the table just feel like, 'you know what, they're going to do what they're going to do and we can't make a difference,' so they don't feel like it's a public agenda, it's a public hearing...Like the woman said earlier, I just think that's a really good suggestion, the public workshop, before the proposals come to the table so that the people can really know what's at stake here, what can be done, where they stand and if it's their right or not to really partake in the situation. I just wanted to clarify that because I'm all about progress. I'm all about moving forward and having good things in life and I think that's what most people want."

Commissioner Lesser asked Mr. Wisniewski the number of hearings in which Parcel 140's apartment renovation was discussed. Mr. Wisniewski responded that there have been three or four public hearings and another public hearing would be scheduled before the Regional Planning Commission. Commissioner Lesser asked whether the Design Control Board meeting provided the public with opportunity to give input regarding their concerns relative to Parcel 140's redevelopment. Ms. Cook responded "yes" and explained that all of the plans are made available at four locations prior to Design Control Board meetings so the public has the opportunity to review them.

In response to public comments regarding the lack of time for public input, Mr. Wisniewski said, "Projects have to go through an RFP process. The RFP comes before your Commission and goes to the Board of Supervisors for public hearings. The response to the RFP to get authorization to negotiate goes through this Commission to the Board of Supervisors. The project goes to the Design Control Board. It has to go to Regional Planning. There are plenty of opportunities for public input and, I might add, there's a concern that I've got and I just want to amplify on something that the speaker said, that he heard people here speaking on behalf of the public. I'm not sure I buy that. The public knows these meetings are here. I see the same people, four or five people, show up to every one of these Commission meetings. While I obviously listen to what they say and I have made changes in the past based on things that they have said, I'm not so sure that they're just not representing themselves in most cases."

Ms. Andrus said, "I'm not representing my personal benefit from all of this, you can be sure of that. We have gone to meeting after meeting after meeting and, you know what? I say we should have another meeting. We should have a meeting that's a public meeting and we should stop celebrating the nighttime meeting that we had a year ago last May where you brought all of this stuff up. So, when are we going to have our workshops? Let me take this opportunity..." Commissioner Lesser interrupted and requested Ms. Andrus to bring her concerns up under the "Communications from the Public" part of the meeting. He asked her whether she had comments on Agenda Item 5e. Ms. Andrus responded, "We've been through this project and we did have our input and it was completely ignored. Number one, the setback of this apartment building is making way for Admiralty widening and we brought that up and you're gonna do a setback even though we don't want a setback. We don't want the height that you're putting there. You're blocking the mountains from the view for one thing and we don't need that much density. You're gonna impose the widening of Admiralty Way so you can accommodate the traffic that's gonna have to come through here with this new development. We brought this up with the Design Control Board and we're going to bring it up with Regional and we're going to go through this again. We've done all this before with several different proposals. Your main catalytic projects from the Asset Management Strategy are gone and you want to send the public through this over and over and over again. You're going to send this through again, through all these meetings, make us go to all these additional meetings without having the main meeting, which is a public workshop."

Mr. Cohen said, "I want to make a comment on the RFP process. I watched several months ago someone come in thinking that they had a shot at a bid on a project and they were turned down and they never knew why and we set in the background and laughed. The RFP process is a joke. We caught County Counsel, I think it was back in 1995 or 1996, Ellis Ring was going to be signing a

major lease amendment with the County with Supervisor Antonovich and County Counsel Rick Weiss. Slight problem happened. Mr. Ellis Ring passed away, but that did not stop County Counsel and Mr. Antonovich from signing a major lease amendment with him and his signature appeared in their presence. I mean, what can you say about a County Counsel that signs leases with dead people? Didn't County Counsel notice that he had been dead for three months when he signed the lease amendment? I mean, this is the kind of people we're dealing with here. This is going to a lawsuit. It's going to go to a class action lawsuit because the County has taken our federal land. They've made bad leases. They've created massive land fraud on public land and it's gonna end up being a class action lawsuit and I wouldn't be surprised if County Counsel needs to go find himself a criminal defense attorney so that he doesn't get put in jail. That's where it's going."

Mr. George Cook said, "I don't believe the small presence that you see here is an exclusive unit that's working on behalf of themselves or ourselves. It's simply because most people can't make it to the meeting because of your time schedule. I've noted that there's supposed to be a public walkway promenade around the Marina, yet I've seen no plans whatsoever for any bathrooms. This is a safety factor." Vice-Chairperson Stevens informed Mr. Hill that his comments don't pertain to Agenda Item 5e and he should really reserve his comments for the "Communication from the Public" portion of the meeting. However, she did inform Mr. Cook that the promenade would have public bathrooms. Mr. Wisniewski clarified that Mr. Cook's comments would be more germane if the Admiralty Apartments (Agenda Item 5e) was a waterfront leasehold, which it is not. The promenade is intended to be a 7-mile waterfront promenade.

Commissioner Lesser moved and Commissioner Crail seconded a motion to approve the Option and Amended and Restated Lease to Facilitate Redevelopment – Parcel 140V (Admiralty Apartments) – Marina del Rey. The motion passed unanimously.

6. OLD BUSINESS

a. Rules Regarding Ceding of Time for Speakers to Address the Commission

Vice-Chairperson Stevens suggested that action on the rules regarding ceding of time be postponed until the July meeting to enable the Commissioners who are absent from today's meeting the opportunity to participate. Per Mr. Weiss' suggestion that Vice-Chairperson Stevens entertain a motion on this item, the following motion was made.

Commissioner Lesser moved and Commissioner Crail seconded a motion to postpone action on the Rules Regarding Ceding of Time for Speakers to Address the Commission to the July meeting. The motion passed unanimously.

7. OLD BUSINESS

a. Marina Harbor Anchorage – Slip Agreement Rules Regarding Working on Boats

Mr. Wisniewski reported that at the May meeting a Marina Harbor tenant complained about Marina Harbor's policy on repair work by boat owners. In response, staff contacted Marina Harbor and provided the Commission with a detailed report regarding the lessee's policy. Mr. Wisniewski informed the Commission, "I think the slip tenant is now satisfied. I think he was under a misimpression at the time."

Vice-Chairperson Stevens opened the floor to public comment.

Mr. Davis said, "I incorporate by reference all of the points I spoke to regarding Agenda Item 5c, d, and e, as they are certainly germane to..." Vice-Chairperson Stevens interrupted and requested Mr.

Davis to confine his comments to Agenda Item 7a. Mr. Davis continued, "My name is John Davis. I'm speaking on my own behalf. I am associated with other public organizations, but today I'm speaking on my own behalf. In regard to this item, which is Item 7a, I incorporate by reference my comments from Item 5c, d, and e. They are germane to this discussion because we're talking about maintenance of boats on public docks. The reason that these comments are germane is because, first of all, the County is supposed to operate these docks according to House Document 389. The County is not operating the docks. That interferes and abridges with the easements and rights of ways granted or deeded to the United States in 1958 because a private entity is operating these docks in Marina del Rey, not the County. In fact, it's a for-profit entity. Not only that, the County's jurisdiction only extends to the landside harbor facilities. The County cannot lease waters of the U.S. of America to a private company without informing the federal government and the Senate that it has done so. It's just not within the purview of the County to give up operation of these docks to a private entity. In fact, I question the County's ability to operate the docks on public trust lands in the first place. These are on wetlands in the state of California. They're on public trust lands in the United States. The County cannot determine who can work on their boat and in what fashion. That is a determination that only can be made by the California Coastal Commission since these lands are categorically excluded from the Coastal Zone according to the Coastal Zone Management Plan for the state of California, according to the California Coastal Zone Act of 1972, and I would suggest that you disregard County Counsel's assertation that private lessees have any private ownership rights whatsoever over these federal lands and public trust lands. I believe that the County Counsel is providing false and misleading information and should this Commission choose to absorb that information in their decision, you will be knowingly and willingly continuing to violate those easements and rights of ways granted or deeded to the United States."

Relative to Agenda Item 7a, Commissioner Lesser asked Mr. Wisniewski whether the matter was resolved between the Marina Harbor tenant who voiced his concerns and the lessee. Mr. Wisniewski responded "yes."

Mr. Donald Klein, president, Coalition to Save the Marina, said, "On this particular issue, I was rather concerned about this, having built my own boat in an 8-year project, of course, not in the Marina itself. I'm kinda concerned about the qualified....The lessee should not have the right of approval of individual workers with this. It seems to me this is a constitutional issue here. This selective policy opens the door to constitutional challenges and the $500,000 liability insurance policy naming management as additionally insured is nothing more than an attempt to reduce the lessee's individual insurance premiums. Workers Compensation Insurance statewide is only required, in this case, if the sublessee chooses not to provide such insurance for his workers and shoulders the responsibility for the workers. I don't see how the situation of working on a boat is any different than working on condominiums in terms of liability, houses or businesses or anything else. The Harbor Department has the authority to enforce any environmental violations that may take place here and I think it's their duty to do so."

Mr. Levine said, "I'm here not in my capacity as president of the Lessees Association, but as representing the lessee of Marina Harbor Apartments and Anchorage. I want to just assure the members of the Commission that our ability to operate these docks in this manner is subject to the regional jurisdiction of the California Coastal Commission and management practices that are incorporated in our lease agreement, regarding maintaining water quality and other issues that speak to this matter. These specific provisions are actually conditions of our Coastal Development Permit from the California Coastal Commission, so I want to assure the members of the public that the lessee is operating with the full knowledge and approval of the California Coastal Commission on a permit that is also a received permit from the Army Corps of Engineers from the federal government. What we're trying to do is maintain sound water quality in Marina del Rey and the best way to do that is to make sure that each individual boater is also responsible for the upkeep of water quality in Marina del Rey. We've provided you with a copy of our lease. We've provided you with an

explanation of our rules and why we carry out the management practices the way we do and I'm a happy speaker, Commissioner Lesser, because I'm happy and secure in the knowledge that I'm operating under all the appropriate permits and carrying out the best management practices and that we have the best possible marina in Marina del Rey."

Mr. James Sokalski, president of MdR News, said, "I was at the Coastal Commission meeting October 9, 2001 where the Director and Mr. David Levine met in the back of the room and came up before the Coastal Commission and promised to have a service provided to boaters to take care of oil, for oil changes, filters and other waste materials. I'm unaware of that service being provided now and he just commented on complying with all the regulations. I believe that was made part of the permit requirement. I'm asking if the Director is aware that the condition has been complied with by the lease?" Mr. Wisniewski responded, "The service that has been committed to will be provided to boaters." Mr. Wisniewski asked Mr. Levine whether he has a timeline developed to provide the service. Mr. Levine responded, "I believe we were working in conjunction with Joe Chesler..." Mr. Wisniewski informed the Commission that he would report back regarding when the service would be provided. Mr. Levine said, "I would have to comment that the only specific service that was to be provided along these lines as a condition of our Coastal Development Permit was a pump-out station, which has been provided and is open and currently being used with the first phase of the dock reconstruction." Mr. Wisniewski informed Mr. Levine that he believed there was a condition that he had to provide for hazardous waste removal as service to the slip tenants. Mr. Levine responded, "We do that through our own slip tenants. We have that available already as part of our periodic trash and other hazardous waste collection. All you have to do is call our management office and they take care of it." Mr. Wisniewski commented, "In that case, I don't have to do a report back if they're already providing it."

Mr. Sokalski said, "It was not my understanding that it was being provided for removing oil. I heard information to the contrary. I just wondered if you might check on that. I do have a videotape and the printed minutes from that Coastal Commission meeting if you want exactly what transpired and I can make that available if there's any dispute as to what it should cover."

b. <u>Ongoing Activities Report</u>

Mr. Wisniewski reported that the Board approved the lease extension agreement for Oakwood Garden Apartments at its May 20 meeting. The lease extension agreement was previously considered and recommended by the Small Craft Harbor Commission. He said the Ongoing Activities Report includes an update on the Marina del Rey Water Shuttle Service. Copies of statistics identifying the shuttle service ridership between May 16 – June 8, 2003 were placed on the public information table. The shuttle service's operating hours are expanded to 11:00 p.m. for the July 4th holiday. Fireworks will begin at 9:00 p.m.

Mr. Wisniewski said the shuttle's operating hours are expanded until 11:00 p.m. and include Thursdays for the series of Chace Park concerts. The concerts are scheduled from 7:00 p.m. – 9:00 p.m. on Thursdays and Saturdays during the summer months. He explained that the Thursday water shuttle service wasn't in the contract, however, the Department had the ability to add it, pursuant to Mr. Wisniewski's authority, and he made the decision to add the Thursday service from 5:00 p.m. – 11:00 p.m.

Mr. Wisniewski said there hasn't been a lot of visitation to the harbor recently because of the lousy weather and the shuttle service statistics reflect this. He said a chart would be provided at the July meeting that shows the water shuttle usage linked with the temperature in the Marina.

Mr. Wisniewski said 1,611 people have used the shuttle to date and there is an average of 400 people a week. The Department is looking forward to expanding the shuttle service to 9, 10, 11 or 12

sites and the plan for its expansion would be brought before the Commission. Mr. Wisniewski added that comments from people using the water shuttle are really phenomenal.

Mr. Wisniewski reported that the Design Control Board meeting of May 15, 2003 was cancelled; therefore, there are no minutes to present to the Commission.

8. COMMUNICATION FROM THE PUBLIC

Vice-Chairperson Stevens called for communications from the public on matters not on the agenda.

Mr. Davis said, "I'm speaking on my own behalf and this indeed is an item on the agenda, not for action, but indeed an item on the agenda requiring the public to be able to participate via the Brown Act. I incorporate, because they are germane, all of my comments regarding Items 5c, d, and e and 7a. I would have to say, the County approached the Coastal Commission with the Marina shuttle claiming it's a temporary pilot program, however, it operated...during several months last year and the County has given a long-term lease, so how could a company with a long-term lease to operate the shuttle possibly be a demonstration program? Furthermore, I would have to say that none of the items under 7b are within the County of Los Angeles purview. As per the approval of the Coastal Zone Management Program for the state of California August 1976, the Coastal Commission should be completely controlling the entire Marina and the reason they are not, according to a correspondence I received from Alex Halpern, an attorney from the Coastal Commission, is the Coastal Commission did not know this is a federal project. However, that's disingenuous because in the California Coastal Plan of 1975, it clearly shows Marina del Rey as being delineated as excluded from the Coastal Zone and under the jurisdiction of the United States government or its trustees. Therefore, all of the actions taken by the County, as of August 1976, are invalid on their face and will be challenged. I am currently providing all of the information again to the California Coastal Commission on Thursday showing the federal ownership, showing the exclusion. I've contacted Deputy Director Brown of NOAA's Office of Coastal Zone Resource Management. I've asked him to instruct the County and the state regarding this matter. I'm sure he has and if it comes down to it, a lawsuit will be filed against the Coastal Commission for violating the Coastal Act because they have made mistakes before. They have been sued before and I have personally seen them defeated on their decisions on more than one occasion. I do believe that the Coastal Commission will administratively exclude Marina del Rey from the Coastal Zone and thereby take every bit of control from the County of Los Angeles because that is the letter of the law. I do believe County Counsel is misinformed about this subject and is providing false and misleading information to this Small Craft Harbor Commission."

Mr. Wisniewski said he wanted to make a correction for the record. He said, "First of all, the person that's providing the water shuttle service is doing it under a contract and not a lease as Mr. Davis referred to. Second of all, the contract expires with this service on Labor Day, so it is a short-term contract. Third, it is called the pilot program because we didn't operate the program last year. We did it with the cooperation of the Coastal Conservancy and Environment Now. We're the standard bearer on this now. We called it a pilot program because we've introduced another dock sight and I think, frankly, it's gonna be a pilot until we've expanded it to its ultimate size. I'm hoping that, once again, that will be 9, 10, 11 shuttle sites. I'm confused as to why anyone would object to calling it a pilot and why they would give the public misleading information about a long-term lease for the operation of the shuttle." Mr. Davis said, "I stand corrected."

Mr. Dave Lumian, Fleet Captain of the Fairwinds Yacht Club, informed the Commission and the public about an upcoming training, called the Dockwalker Training Program, that is sponsored by the Coastal Commission. The program provides training on environmentally correct procedures for changing oil and using head pump-outs and keeping the environment clean. He invited all those interested to come to the Marina del Rey Library on Saturday, May 17, at 10:00 a.m. Mr. Wisniewski

thanked Mr. Lumian for his activities in the Marina and said Mr. Lumian was honored as the Volunteer of the Year for the Department of Beaches and Harbors at an event at the Dorothy Chandler Pavillion. Mr. Wisniewski said Mr. Lumian's work in the Marina is phenomenal and he wished there were 10,000 of him.

Relative to the Fairwinds Yacht Club, Mr. Cohen said, "This is a for-profit business operating on a residential dock, which is completely illegal. So, to have 10,000 more of them would be outrageous because it's just more illegal activity in a federal project. I used to share the same dock with the Fairwinds Yacht Club and people would come down, get checked out and put on boats on a for-pay basis and this is all done on residential docks. They need to take their Fairwinds Yacht Club and put it in a commercial facility like the other large tour boats that don't belong in Marina del Rey that dump sewage in the Marina and cause havoc. To say we need 10,000 more of them is outrageous. I think the Fairwinds Yacht Club needs to be removed from the residential dock and put on a commercial dock because it is a commercial organization."

Mr. Wisniewski informed the Commission that the California Coastal Commission recognized the program that's provided by Fairwinds, which is a non-profit organization, as one the Coastal Commission hopes to reproduce at other harbors throughout California.

Mr. Klein said "There's an item here that recently came up concerning the insufficient boater parking on Parcel 18R, which was formed from a letter written November 2002 to the Beaches and Harbors Department and was then referred to Ms. Harriet Lange at the Regional Planning Enforcement Division with a letter that was put out stating that there was insufficient parking there on the two projects next to the Chart House. I would like to know what the result of that is and I would like to have that set for the agenda for the next meeting." Mr. Wisniewski said he would be happy to provide the Commission with a report and it would be agendized for the July meeting.

Mr. Klein informed the Commission, "Hannah-Beth Jackson sponsored AB12x, which basically was a bill that changed the rules of the Public Resources Code. Under the current law, the Commissioners are appointed to two-year terms and could be removed at the pleasure of their appointing authorities. Now, they want to establish a four-year term for a Commission, so forth, and they would no longer be removable at the will of their appointing authority. I want to make it clear that this Commission is also operating under those rules, as well as the Regional Planning Commission. We had a case in 2001 when we were opposing a particular project in the Marina and two of the Commissioners were very favorable to us and, all of a sudden, they vanished and then, 10 days later, there were new Commissioners appointed and the project was approved, so we're really concerned. The Coalition to Save the Marina would seek to have the rule change apply to this Commission as well as the Regional Planning Commission."

Mr. Sokalski said, "First, a compliment to the Director and the Board. I appreciate your patience today with the public and, particularly, with the Director with his comportment and attention paid to the speakers and the tone. It seems to me to be noticeably more patient and tolerant shall we say. A comment and, perhaps, a suggestion. I noticed there appeared to be a new logo and tag line on the Department's letterhead." Mr. Wisniewski interrupted and thanked Mr. Sokalski for bringing the subject up. Mr. Sokalski continued, stating "First, for the logo with the beautiful sunset there and the simile of a boat and a ocean wriggly line. I suggest that you ghost in a background of a Manhattan skyline and shots of the traffic there because we want to reflect what's coming. Second, for the tag line, which is lovely, and modeled similar to L.A.P.D.'s 'To protect and serve': 'To enrich lives through effective and caring service.' I suggest the addition of just one word: 'To enrich <u>developers'</u> lives through effective and caring service,' because there's been many, many comments about the public wishing to have their lives enriched in the Marina, not only residents, but others, and their suggesting that, perhaps, if there were more evening meetings or times when more people could come, you might see that it's not just a few hard nosed activists that come, but there are quite a few people. I

remember well in excess of 100 on May 14 a year ago. I will challenge you to try again and you may get a substantial amount of support and lend more credibility to that tag line in the future."

Mr. Wisniewski informed the Commission that staff is always available to meet in the evenings and, as he understands it, the Commission intends to conduct another evening meeting. Mr. Wisniewski added that the Department letterhead's tag line: "To enrich lives through effective and caring service," is the mission statement for the County of Los Angeles, which he decided to place on the Department's letterhead since it is a part of the County of Los Angeles. Relative to the new logo: "Caring for your coast," Mr. Wisniewski informed members of the public who are not aware that, in addition to the Department's management of the Marina, the Department is also responsible for maintaining 21 beaches over 30 miles of noncontiguous coastline. Mr. Wisniewski said that he thinks the logo is quite appropriate and he thanked Mr. Sokalski for mentioning it.

Ms. Gallegos said, "I'm talking concerning the dinghy storage facility on Parcel 91 on Palawan Way. I'm pleased to see that it has been resurfaced and the racks are back up. I'm a recent retiree and I bought a kayak and I got on the waiting list last year. I went over to Asset Management in February and I was allowed to see the waiting list of which I am on and was shown that it had not budged since 2001 and I figure it would be 100 years before I get a space in there if the present permittees are allowed to just stay in there forever. It seems a little elitist to me. I have talked to a couple of people there who said there is no policy other than if the people write their check every year, then that is all there is and they go to the waiting list. Well, the waiting list isn't moving. I have suggested that they write a policy since they don't have one and I suggested on Monday that it should be presented to the Commission and to the public. I asked if there would be sometime in the present and they said they have terminated all the contracts of 108 occupants...Because they intend to have the applications ready for the end of June and implemented by the middle of July, I said I would of thought they had the policy available and applications by now since I talked to Walter DeSantos on May 6 and I talked to Bob Nickens day before yesterday and he said 'No, it hadn't been written.' I suggested that it come before this group and that it come before the public and I said I had a number of suggestions. I've been in communication by E-mail and telephone and visiting the office. So, the recommendation I have for this group is that they insist the policy come here and my main suggestion is that something like 'no one be permitted to stay there more than two years and if any of the present permittees are two years, then they would no longer be there and go to the back of the waiting list in order for the people to have access.' I intend to use it to go kayaking and I feel that its proximity to the water, which is approx. 15 feet, indicates that it is not a dead storage area. My belief is having viewed...some of them look mighty dusty like they haven't been used. I talked to someone at the Del Rey Yacht Club and he said they have a similar problem, people were too lazy to sell their boat and they just kept them there."

Mr. Wisniewski thanked Ms. Gallegos for bringing the matter to his attention and suggested she speak to Mr. Moliere.

Mr. Davis approached the microphone to speak. There was discussion as to whether Mr. Davis would be allowed to speak since he had already spoken regarding the water shuttle service at the beginning of Agenda Item 8--Communication from the Public. He requested that Vice-Chairperson Stevens ask the secretary, Toni Minor, to verify whether he had, in fact, spoken under this agenda item. Ms. Minor informed the Commissioners that they should not consider Mr. Davis as having already spoken under Agenda Item 8--Communication from the Public. (Ms. Minor's reason was that Vice-Chairperson Stevens did not follow the regular practice of opening the floor to public comment after hearing Agenda Item 7b--Staff Reports' Ongoing Activities. Consequently, Mr. Davis wasn't given an opportunity to comment on the water shuttle service until Vice Chairperson Stevens opened the floor to public comment under Agenda Item 8. Mr. Davis' comments about the water shuttle service pertained to Item 7b.)

Vice-Chairperson Stevens allowed Mr. Davis to speak.

Mr. Davis said, "First of all, I would like to make a suggestion regarding the design logo. The owners of Marina del Rey, the public, are bleeding. We bleed when you take our small boat slips. We bleed when you take our public parking. We bleed when you take our open space. We bleed when you fence off the bulkhead to the sea. I would suggest that the Director change the color of the text to blood red to represent his actions and misdeeds in this Marina. I'd like to state also that Fairwinds Yacht Club is improperly monopolizing public boat slips, preventing fair and equal access to those slips. I'd like to know how much the Director spent to honor a non-profit organization that is monopolizing public boat slips when the County is in a financial crisis. I don't understand that justification. I will finish my testimony by reading some history. In the late 1900's, the U.S. government was approached by Abbot Kinney in the Venice Chamber of Commerce. Kinney, the City and County of Los Angeles, applied for federal funds under the Rivers and Harbors Act to partially fund the construction of a new maritime harbor at the end to Playa del Rey now commonly known as Ballona Creek. The Secretary...denied this proposal because it was incongruent with the purposes of the Rivers and Harbors Act. Before the beginning of World War II, the County and City continued to plan for a new harbor, but the studies ended with the advent of the war. In resolutions passed by the Board of Supervisors and the city councils, both entities agreed to deed forever and in perpetuity all lands, easements and rights of ways to the U.S. government to hold in trust. House Law 780 was then passed approving a harbor of Playa del Rey under the Rivers and Harbors Act to be governed under Section 1 of the Rivers and Harbors Act of 1945. This measurement was required by the U.S. government to ensure the federal participation of the project would be predicated on purposes defined under the Act by Senate and House Document 389. In 1955, no sooner than the ink was dry on the congressional document, the City claimed it had no money to complete the harbor, completely changed the design, removed the recreational component completely according to Sea Grant Working Paper 1A produced by NOAA, preordaining luxury residential development. This obliterated the will of Congress. This is the legacy of greed and it would be determined...I think the solution is to follow the law."

Mr. Stuart Hoffman said, "In the last week, twice, I've had a couple walk by where I live near and ask me, out of the blue, the purpose of the new gates where the lessees want to put in all the gates for the docks to be. For instance, right in front of me, there's a gate of 4x8 piece of plywood, with lots of yellow ribbon saying 'caution' and two cones sitting there and they wondered, as I do, when and where those would be handled and taken care of because they're very unaesthetic for such a beautiful Marina." Mr. Wisniewski asked Mr. Hoffman whether he asked management about the gate. Mr. Hoffman responded that he hadn't. Mr. Wisniewski suggested he discuss the matter with the manager and if the manager doesn't provide an answer, Mr. Hoffman should contact Mr. Moliere.

Ms. Younis said, "I'm here today to represent the Westchester/LAX Chamber of Commerce. I would like to inform you of a very great honor that has been bestowed upon Marina del Rey businesses here. Tony Palermo has been selected the honorary mayor for the next year and in that capacity he will be welcoming businesses and people and serving in an official capacity representing Westchester, the LAX airport area and Marina del Rey. This is a chamber that encompasses 48,000 employees, hundreds of businesses. There's 800 members of this chamber and we are extremely proud that Tony at Tony P's will be the honorary mayor. Plus, we have the incoming president, David Voss, who is a tenant and a very avid boater here in the Marina. So, the chamber is well represented by Marina del Rey businesses and I just wanted to make sure that this Board was very aware of these great honors."

Mr. Wisniewski commended the Chamber for making Mr. Palermo the honorary mayor and said he is a wonderful guy and has a great restaurant.

Ms. Andrus said, "I'm wondering, can we agendize these workshops that are required by the Coastal Commission for the LCP? Let us know when we're going to have them, when they're going to start. I'd like to see EDAW there, the agency that the public paid $170,000 for..." Mr. Wisniewski asked Ms. Andrus whether she is referring to the meetings that the Coastal Commission would like on the LCP review. Ms. Andrus responded "yes." Mr. Wisniewski informed her that whatever the Coastal Commission requests would be accommodated. Ms. Andrus asked whether the Coastal Commission has already requested a workshop and she added that the workshops are required to satisfy the review. Mr. Wisniewski said he would report on this matter at the July meeting. Ms. Andrus said she would like the public to help the Department with the workshop's agenda and have EDAW included in the workshops.

9. ADJOURNMENT

Commissioner Lesser moved and Commissioner Crail seconded a motion to adjourn the meeting at 11:39 a.m. The motion passed unanimously.

Respectfully submitted,

Toni Minor
Commission Secretary

Small Craft Harbor Commission
Meeting of July 23, 2003
Minutes

Commissioners Present:

Harley Searcy, Chairman
Carole Stevens, Vice-Chairperson
Russ Lesser

Excused Absences:

Joe Crail
John Law

Department of Beaches & Harbors:	Stan Wisniewski, Director Roger Moliere, Chief, Asset Management Division Dusty Crane, Chief, Community & Marketing Services Division Joe Chesler, Chief, Planning Division
Other County Departments:	Rick Weiss, County Counsel Dave Michaelson, County Counsel Captain Sam Dacus, Sheriff's Department Deputy Paul Carvalho, Sheriff's Department
Also Present:	Beverly Moore, Executive Director, MdR Convention & Visitors Bureau

1. CALL TO ORDER & ACTION ON ABSENCES

Chairman Searcy called the meeting of the Los Angeles County Small Craft Harbor Commission to order at 9:41 a.m. in the Burton W. Chace Park Community Room, Marina del Rey.

Vice-Chairperson Stevens moved and Commissioner Lesser seconded a motion to excuse Commissioner Crail and Commissioner Law from today's meeting. The motion passed unanimously.

2. APPROVAL OF MINUTES

There wasn't a quorum of Commissioners present today who attended the May and June meetings; therefore, Chairman Searcy postponed action on the minutes to the August meeting.

3. SERVICE AWARDS

Mr. Wisniewski informed the Commissioners that the service awards are being presented to Vivian Paquin and Lynn Atkinson, who collectively have 60 years of experience with the County of Los Angeles. He presented Ms. Paquin with the 25-year service award, a plaque, and informed Commissioners that Ms. Paquin began working in the accounts payable section after joining the Department. She currently supervises the Department's parking operation. Mr. Wisniewski said the parking system is now automated and it is through Ms. Paquin's efforts that the system performs well and has created a tremendous increase in parking receipts.

Mr. Wisniewski presented the second award, a brass desk clock, to Ms. Lynn Atkinson, who has 35 years of service with the County. Ms. Atkinson issues the Department's Special Beach and Marina Use Permits. Mr. Wisniewski commended Ms. Atkinson for her years of service to the County.

4. REGULAR REPORTS

a. Marina Sheriff's Department Report

--- Crime Statistics

Captain Sam Dacus reported that during the summer months there is a crime increase in the areas of vehicle burglaries and auto theft. The summer enforcement team is not deployed this summer because of the budget. He said a small contingent of officers are used during the summer concerts. Civilians and Explorer Scouts also lend their assistance. Captain Dacus said that he noticed, when reviewing the reports, that the vehicle burglaries could be attributed to people leaving their vehicles open with valuables inside.

Captain Dacus invited everyone to attend an open house at the Marina Sheriff's Station on July 26. The open house is from 10:00 a.m. – 4:00 p.m. He also informed the Commissioners that August 5 is national law enforcement night out, which is an event that takes place all over the United States and highlights the community and law enforcement. Captain Dacus said he believes it will be held at the Del Rey Yacht Club at 7:00 p.m.

--- Enforcement of Seaworthy & Liveaboard Sections of the Harbor Ordinance

Deputy Paul Carvalho reported that until the Department could dispose of some of the impounds it has at the docks, the Department will probably not pursue the matter as aggressively as in the past. Three more vessels have been disposed of and money for this came out of a special fund through property and evidence. Deputy Carvalho said that until the budget is officially approved, there probably won't be much movement relative to derelict vessel disposal.

b. Marina Special Events

Mr. Wisniewski reported that the Marina del Rey Special Events section includes the Marina concert series every Thursday and Saturday night. The water shuttle operates on concert nights. He said that the first Thursday night had approximately 65 water shuttle users. He senses the usage will increase as the opportunity for the water ride becomes more known to residents and visitors. Mr. Wisniewski said the Special Events Report also includes information on the Old Fashioned Day in the Park and Fisherman's Village Weekend Concert Series. Mr. Wisniewski said the report now includes a section on beach events since the Department also manages Los Angeles County operated beaches. Hermosa Beach has a concert series on Sundays at 6:00 p.m. The International Surf Festival is scheduled from August 1 – August 3.

5. OLD BUSINESS

a. Election of Commission Officers

Commissioner Lesser moved and Vice-Chairperson Stevens seconded a motion to re-elect Chairman Searcy as Chairman of the Small Craft Harbor Commission for the remainder of 2003. The motion passed unanimously.

Commissioner Lesser moved and Chairman Searcy seconded a motion to re-elect Vice-Chairperson Stevens as Vice-Chairperson of the Small Craft Harbor Commission for the remainder of 2003. The motion passed unanimously.

b. Rules Regarding Ceding of Time for Speakers to Address the Commission

Relative to the Commission's rules regarding ceding of time, Commissioner Lesser said that "I was the one who caused the problem in the first place, which was done with all good intentions, but I failed to realize that some people would take advantage and totally abuse it. It seems to me that what we did then was wrong anyway because, according to the rules, the Chairman has the prerogative if he wants to allow additional time to certain speakers; he can do this. The present rules seem to solve any problem that we have. It's a shame that we tried to do something to help and it got totally abused by certain individuals, which ruins it for everybody...the present rules we have in existence are perfectly adequate, which gives you the prerogative to set time, allow additional time, cut people off if they're going over the same subject over and over again or wasting people's time. I see nothing wrong with the existing rules."

Chairman Searcy asked Commissioner Lesser whether he wished to make a motion and, if so, would Mr. Weiss' input be needed to help him craft it. Chairman Searcy added that if a motion was made, the Commission would hear public input before voting on the motion. Mr. Weiss said that he believes it's a good idea to make a motion to clarify the Commission's position for the public. Mr. Weiss said, "In this instance, I think the motion would be to make no changes to the rules and continue to allow the Chairman to exercise the discretion that the rules currently allow regarding the allocation of time in a reasonable manner to speakers."

Chairman Searcy opened the floor to public comment. Mr. Weiss said for the record, "I think your Commission has already provided substantial time for members of the public to speak on this item. It is not the first opportunity that they've had." Chairman Searcy said Mr. Weiss' comments are duly noted.

Ms. Carla Andrus asked to whom Commissioner Lesser was referring when stating that certain speakers took advantage of the Commission's good intentions. Chairman Searcy responded that he thinks Commissioner Lesser was referring in general to the fact that speakers who had additional time ceded to them repeated the same thing during the ceded three minutes that they said in the prior three minutes. The speakers repeated the same redundant information and often took time away from other members of the public who hadn't ceded their time and wished to be heard. Chairman Searcy said that Commissioner Lesser's comments should not be taken personally and Ms. Andrus was not being singled out. Ms. Andrus suggested that answering the public's questions would reduce redundancy.

Commissioner Lesser moved and Vice-Chairperson Stevens seconded a motion for the Small Craft Harbor Commission to return to its existing Commission Rules, which were included in the Commission's meeting materials today. The motion passed unanimously.

c. Marina del Rey Jurisdictional Issues

Chairman Searcy complimented Mr. Weiss on the Marina del Rey Ownership and Jurisdictional Issues Report and said it was excellent, in-depth and clearly reflects the amount of time that County Counsel invested in developing it. Mr. Weiss thanked Chairman Searcy and introduced Dave Michaelson to the Commission. Mr. Weiss said that Mr. Michaelson is one of County Counsel's senior members and will replace him as advisor to the Department and to the Commission at future meetings. The Commissioners welcomed Mr. Michaelson to the meeting.

Mr. Weiss said concerning his report, "Our office tried to provide answers to some, and I realize that they're not all, what I would call, ongoing comments from members of the public regarding the authority of the County ownership issues, jurisdictional issues, with respect to the Marina. As you can

tell from the report, we have concluded that, in a nutshell, the County is properly exercising its authority over the water and land areas of the Marina. More specifically, reference has been made repeatedly to this Commission that the County has given up authority over the Marina with respect to a 1958 perpetual right of way and easement. As indicated in our report, the County owns the fee interest to substantially all of the water area and all of the land area of Marina del Rey. The federal government owns two easements, one of which is the 1958 easement. Those easements were provided for the federal government to first do the actual dredging of the main portion of the Marina, the harbor, and provide for their ongoing right and responsibility for maintaining the design depth and channel width for the Marina in order to ensure that it's navigable waters of the United States of America. Those easements have not eliminated the County's land use authority over the land. The easements do not even encompass any of the land areas, as indicated in a chart, which is attached to the report. Those easements specifically provide that no authority of the County has been taken away other than with respect to maintaining the federal government's right to maintain and keep the waters of the Marina navigable waters. I point out in the memo that the federal government has had a presence in the Marina since the early 60's albeit by the Coast Guard. The Army Corps of Engineers is constantly in the Marina. Mr. Wisniewski can, I'm sure, recount many boat tours he's taken with the colonel or other officers in charge of the Army Corps. To our knowledge, the Army Corps, or other federal agencies, have never taken the position that we are in any way interfering with their easements."

Mr. Weiss used a laser pointer on the Community Room's aerial wall map to show the area that is covered by the 1957 easement. He explained that, "This area is the one area that's not owned in fee by the County, that's actually owned by the state and is operated by the city of Los Angeles. The City has an agreement with the state of California to operate many of its beaches. We operate some of those beaches. This is covered by that overall operating agreement. The city of Los Angeles franchised that area to the County in 1957 and we in turn provided an easement to the federal government. That used to all be dry land. Ocean Front Walk is referred to in the report." Mr. Weiss pointed to Ocean Front Walk on the map. He said, "That is the only area of the Marina in fee that is not owned by the County. With respect to the second major issue, which we addressed in our report, which was whether or not the Marina includes public trust tideland. As indicated by our report, the Marina does not. There are submerged lands and there are lands which are physically tidelands, but they are not subject to the California Public Trust Doctrine. That was determined not by me, but by the United States Supreme Court in a landmark decision in 1984, which essentially determined that the area, including all of the Marina, was not subject to a California Public Trust Easement or other rights and based upon tracing the title of the property back to when it was owned by the Talamantes and Machado families, having been granted to them by the governor of the then Californias. That issue was an issue and was a large issue in this area in the late 70's and early 80's. It was disposed of in 1984. As a result, the Marina's not impressed with the California Public Trust Easement for Fishery, Navigation and Recreation. It is, however, subject to regulatory authority of the California Coastal Commission. As a result, that document does not apply here and as it does not, it does not affect the County's rights with respect to exercising control over the Marina."

Vice-Chairperson Stevens said that, as she understands it, the United States has an easement over the entrance channel and the main channel. She said that the Corps of Engineers has consistently refused to dredge the main channel. Vice-Chairperson Stevens asked whether something could be done to encourage them to take more interest in their easement. Mr. Wisniewski responded that the Corps has "stepped to the plate regarding their responsibilities on dredging...unfortunately, President Clinton's Administration did not believe that the Corps ought to be dredging recreational harbors. They were prioritizing ports for dredging and recreational harbors had to scramble for any federal funding that they could through their lobbyists in Washington. The Corps has always recognized its responsibility. It is sometimes very difficult to legally compel them to perform, however. It's a balancing act. We have a very good relationship with them and were able to, through our

congressperson at the time, get the funding allocated and, through Supervisor Knabe, the money was ultimately allocated for the dredging."

Chairman Searcy asked whether there was a point when the Marina was not getting what it needed. Mr. Wisniewski responded that there would always be a fight to obtain dredging funds for recreational harbors. Chairman Searcy asked whether the Department has overcome the point when the Marina was in danger of not having a navigable entrance in the main channel. Mr. Wisniewski responded that the Department has a significant leg up when dealing with the federal government because the Marina has a Coast Guard base, which for public safety reasons, is part of the LAX emergency response plan.

Vice-Chairperson Stevens asked whether the main channel was dredged. Vice-Chairperson Stevens explained that she is referring to the area that runs north/south where the curve is. Mr. Wisniewski responded "no." He explained that the area was surveyed and determination was made that it was at design depth and there was no need for dredging.

Chairman Searcy opened the floor to public comment.

Mr. Daniel Cohen said, "I read County Counsel's fiction and it was very interesting. I don't see any documentation behind what he claims are the boundaries for the easement. I plotted some of these boundaries myself and they seem to encompass the entire Marina and part of the Marina peninsula. I would like to see his surveyor's map with who surveyed it and who drew it out and how they arrived at this fiction that it's just the harbor entrance and the main channel. Also, he says that tidelands trust laws don't apply because this was dry land. Apparently, he's never seen the old pictures of people water skiing in Mud Lake or Lake Washington, as it was known, where people used to come and water ski inside the harbor. This was tideland. In 1890, this was the L.A. riverbed. In 1890, it jumped its banks and went down to L.A. harbor. This was obviously tideland. We have numerous historic pictures of them, which I suppose he hasn't seen. Yesterday, I was contacted by my congressman, who has decided to authorize a letter to the General Accounting Office (GAO) to have them come in and find out what happened to the federal project at Marina del Rey and to see if it is in compliance with the federal mandate. I have been charged with writing the letter that's going to the GAO under my congressman's letterhead asking GAO to come in here and find out what happened to the money and federal project. These federal documents state that this is to be a small craft harbor surrounded by visitor serving centers, public open spaces and wildlife reserve. In the 1958 easement it says that the federal government retains the right to enter upon, dig and dredge, anywhere on the federal easement. They could come up to the Marina City Club today and drive a bulldozer through it and I hope that will happen soon and they could do that to a number of buildings that have been illegally built on the federal easement. That's where we're going. The County Counsel is misrepresenting the boundaries of this federal easement to this Commission and I would like to see their documentation behind how they arrived at this. I went to the Army Corps of Engineers. They had their cryptographer draw up the easement. What did he do? He started on the computer screen, drew it, overlaid it in the Marina and said it looks like it describes the harbor entrance. I asked him, 'What did you pick for a starting point?' 'Oh,' he 'just started on the blank screen.' 'How do you reference that to any place on dry land'? He says, 'Oh, well, we didn't reference it to any landmark anywhere on the map. We just drew it and it seemed to fit.' So, we're dealing with an Army Corps of Engineers, as well as County Counsel, that's misrepresenting the size, shape and character of this easement to this Commission and I have no choice but to take this up with the federal government."

Commissioner Lesser asked Mr. Cohen the name of his congressman. Mr. Cohen responded that, "I have several congressman. I'm working with all of them. When the letter goes to the GAO and ends up on your door step, you'll find out where it came from."

Mr. Wisniewski said for the record that, "We're satisfied with County Counsel's response and we propose no further work at this time. If the individual would like, he/she could go to Public Works and do a public record search to get further documentation, but we're happy with what we have."

Ms. Andrus said, "I think the documentation of all of the things that County Counsel has put in front of us shouldn't be the responsibility of the public to get these documents. It was brought up at a public meeting. We want to see the documentation. I think it's the only appropriate way to settle this issue, to have it in writing, a real dateline that he referred to in his analysis. A real dateline would be helpful, would be a start. I'd like to see the Public Trust Doctrine. I don't think the public should be asked to do this. This is a public meeting. This is the information that came out, that County Counsel's put on the table. Mr. Davis brought out his documentation. Let's be fair about this."

6. NEW BUSINESS

a. Approval of Deemed Assignment and Lease Assignment Parcels 111/112

Mr. Moliere informed the Commission that this item is the reorganization of the lessee entity and some amendments to the lease in order to facilitate upcoming financing and to enable construction of the project. He said there are many complex documents that were not completed in time for Commission consideration and the Department would like the item continued to a future meeting.

Commissioner Lesser moved and Vice-Chairperson Stevens seconded a motion to continue to a future meeting the discussion of the Deemed Assignment and Lease Assignment for Parcel 111/112. The motion passed unanimously.

b. Approval of Negotiated Rental Rates – Parcel 41 (Catalina Yacht Anchorage) – Marina del Rey- Amendment No. 12 to Lease No. 5601

Mr. Moliere informed the Commissioners that this item is a regular decennial rent adjustment that's provided for in the lease. This is one of the leases that proceed by a formula wherein any increases are tied to the greater of either the rate in effect at the leasehold before the adjustment or the average of certain other leaseholds with similar types of activities on them. The only adjustment called for in applying the percentage is an increase in percentage for boat haul-out and repair and that would go up from 4% to 5% resulting in a very slight increase in annual rent. Additionally, a regular adjustment of minimum rent is called for, which would increase from approximately $9,400 to $11,000 per month. An increase in liability insurance has also been negotiated from a previous level of $1 and $2 million to $4 million per occurrence and $6 million aggregate to bring it more into line with the general run of things that are being asked for in terms of risk management.

Chairman Searcy opened the floor to public comment. Hearing no public comment, the Commission took the following action.

Vice-Chairperson Stevens moved and Commissioner Lesser seconded a motion to Approve Negotiated Rental Rates – Parcel 41 (Catalina Yacht Anchorage) – Marina del Rey- Amendment No. 12 to Lease No. 5601. The motion passed unanimously.

7. STAFF REPORTS

a. Dolphin Marina (Parcel 18) – Permit Violation Update

Mr. Wisniewski reported that the Department submitted to the Commissioners a copy of a May 5, 2000 letter from the Department of Regional Planning (DRP) to Dolphin Marina's lessee, Goldrich and Kest Industries, regarding a few areas in which the lessee isn't in compliance with its permit. Mr.

Wisniewski said that Goldrich and Kest were given a three-day notice to comply by June 5. As he understands it, the lessee claims it has complied with permit conditions, however, the zoning officer requested additional information and has yet been convinced that the lessee is in compliance. The lessee must formally respond to Regional Planning with remedies in order to avoid further enforcement action.

Vice-Chairperson opened the floor to public comment.

Mr. Donald Klein, president of Coalition to Save the Marina, said that, "From the start we've had a problem with actually believing there was going to be enough parking for this unprecedented evisceration of all the parking in Marina del Rey. I certainly hope that this is not going to be a model for all of the other lessees intending to build on parking structures presently situated in the Marina." He referenced a section of DRP's letter to Goldrich & Kest, which said, "Spaces shall be available to the general public use, except that the restaurant [Chart House] may restrict over night use." Mr. Klein said that the wording "needs to be defined a little bit more. I guess you could construe that to mean somebody is on their boat overnight or, perhaps, they've gone somewhere and left the space, the parking space. These parking spaces used for the public could possibly be not effective or not counted as public parking unless the Chart House specifically says there will be no overnight parking and what are those time limits what is considered to be overnight parking. So, there's going to be a problem with that. Also, I wonder why it has taken so long for this to surface. It's been more than six years since the Marina del Rey specific plan amendment was granted to the lessee on Parcel 18 to do this and it's been a very long period of time since this has come to surface here. They say they have enough physical parking spaces, that the parking program doesn't exist. What appears to be happening is that people are not having access to their vessel vis-à-vis not being able to park either ingress or egress. One person I know that left the vehicle there, they have some kind of valet parking, and left the keys, but couldn't leave because the valet people had locked up the keys. So, this goes way back to the very origin of the Marina, with allowing the boaters to have parking within, I think it's 300 yards, of where their vessels are located. This goes back to the bond issue, the Marina master lease, also the CDP and the Marina del Rey specific plan."

Mr. Wisniewski suggested that Mr. Klein speak to Mr. Chesler after today's meeting. He said that there is a regularly scheduled day when a DRP staff person meets with Planning Division staff and a time could be arranged to meet with Mr. Klein.

Chairman Searcy asked Mr. Wisniewski whether Regional Planning is the enforcement agency for the issues pertaining to this item. Mr. Wisniewski responded "yes." Chairman Searcy said he wanted the public to be aware that Beaches and Harbors and the Commission are not "passing the buck" relative to the Dolphin Marina permit violation. Regional Planning is the enforcement agency and Mr. Wisniewski is offering to assist by suggesting that Mr. Klein meet with a representative from the responsible agency as well as a Beaches and Harbors' staff member. Mr. Wisniewski explained that Beaches and Harbors has the ability, under the master lease, to issue notices of default, and if Regional Planning indicates that it isn't getting cooperation, Beaches and Harbors will issue a notice of default.

Vice-Chairperson Stevens asked whether Goldrich and Kest would build the amenities mentioned in DRP's letter on the other side of the street. Chairman Searcy read the first paragraph of page 2 of DRP's letter to Goldrich and Kest, which states, "While certain amenities are depicted on the approved Landscape Plan labeled L.1.01, the bike rack, shade structures, water fountains, and the jitney stop have not been established. Please submit a timeline for completion of these conditions." Chairman Searcy asked whether the location Vice-Chairperson Stevens is questioning is shown on the Landscape Plan. Mr. Chesler responded that the specific locations of the amenities are on the Site Plan and Landscape Plan. The applicant, as late as this morning, has indicated that within two weeks all of the amenities would be in place and the DRP enforcement officer is scheduled to be on

site early next week to verify it. All of the amenities listed in the letter should be in place before August 1. Chairman Searcy asked whether this includes the Parking Management Plan. Mr. Chesler responded that he understands from talking to the lessee and DRP that there is adequate parking on the site but it has to be subject to the Parking Management Plan. Mr. Chesler stated that the Plan has been submitted to DRP but has not been field verified, which will be part of DRP's follow up action next week.

Vice-Chairperson Stevens said that Mr. Goldrich has valet parking for Dolphin's residents, which she thinks is superb. She commented that valet parking solves problems since there doesn't seem to be ample parking for guests. Vice-Chairperson Stevens added that she wished all major redevelopments included valet parking because it is a great help to Marina residents.

b. Marina del Rey Local Coastal Program Periodic Review

Mr. Wisniewski reported that, per the Commission's request, the Department provided members with a Local Coastal Program Periodic Review Report, with California Coastal Commission (CCC) correspondence attached. He said the CCC's staff indicated that the process technically started on April 30, 2002 and was scheduled for completion by April 30, 2004. The Department has not had any formal communication from the CCC since its February submission. The Coastal Commission is aware that as soon as it is ready to proceed with public input, both Beaches and Harbors and DRP will provide assistance. Mr. Wisniewski said the Department's report has an attached letter from CCC Chair Mike Reilly indicating that CCC staff would likely be unable to comply with court imposed timelines for the LCP review. The CCC is considering different options and Beaches and Harbors is monitoring the situation with DRP and the County's Chief Administrative Office. Mr. Wisniewski indicated that he would like to have the names/addresses of those who want notification of LCP hearings. He requested interested members of the public to provide their names/addresses to the Commission Secretary or Joe Chesler. Mr. Chesler said the official planning office is the Department of Regional Planning. DRP is the designated point of contact with the Coastal Commission and the Department of Beaches and Harbors works in tandem with DRP. Chairman Searcy commented that several people have indicated their interest in receiving notification about the hearings. Their names should be included on the list that the Department maintains. As people continue to express their interest, their names should be added to the list.

Commissioner Lesser asked what happens now since the Coastal Commission can't comply with the court mandate. Mr. Weiss responded that it is his understanding the "Coastal Act provides that all of the local coastal programs have to be reviewed every five years. It is my understanding that the Coastal Commission has not completed a five-year review for any coastal program in the state, with the exception of maybe one or two. I don't believe that the failure of the Coastal Commission to do that would expose them to criminal sanctions although it is possible that a private party might commence an action in court and get an order from the court mandating that the Coastal Commission comply with its statutory duties or face sanctions, orders, injunctive orders mandating that they complete it by a certain time period. I believe the specific arrangement made for the review of the Marina Local Coastal Program was pursuant to a consent decree or a stipulation that would resolve litigation that had been filed by the Coalition to Save the Marina against the Coastal Commission...that was more pursuant to a stipulation. If a party to a stipulation or judgment doesn't comply with the stipulation or judgment, the other party may go back to court and ask for application for the non-compliant party to be found in contempt or non-compliance." Commissioner Lesser asked whether anything would happen if the party that sued did not return to court to seek further action. Mr. Weiss responded that if no one seeks to enforce an order, it's something like "a tree falling in the woods and no one being there to hear it."

Mr. Donald Klein said, "Mr. Weiss is essentially correct in what he said. The actual language in the consent decree said that the Coastal Commission could appeal to the Coalition for more time or that

they may also appeal to the courts for more time. We don't know exactly how that's gonna turn out, but we feels it's a pretty callous and arrogant disregard for the public in terms of preserving the coastal dependent uses in the Marina. It's exactly as you stated Commissioner Lesser, 'where do we go with this?' It's mandated by Congress, so we're not sure. We're investigating this now and we've got a team to see where we're gonna go with this. Certainly, we don't want to lose all of our coastal dependent resources and have a lot of density and so forth and so on without having an LCP review. It's extremely important...It will be an interesting situation to see how this plays out, but we are going to see it all the way through." Chairman Searcy asked Mr. Klein to continue to update the Commission on the matter.

c. **Ongoing Activities Report**

Mr. Wisniewski reported that a chart of the water shuttle's usage is included in the report. The chart shows the relationship between the shuttle's usage and the weather. The shuttle's usage continues to grow dramatically. He said that as additional stops are added, usage would increase even more.

Vice-Chairperson Stevens opened the floor to public comment. Hearing none, Vice-Chairperson Stevens proceeded to Item 7d--Marina del Rey Convention and Visitors Bureau Report.

d. **Marina del Rey Convention and Visitors Bureau**

Ms. Beverly Moore, Executive Director, MdR Convention and Visitors Bureau, distributed the Bureau's first Marina del Rey harbor directory, which is geared to boaters visiting the community and will be distributed throughout the Marina. She highlighted some of the directory's contents, such as boating navigation information and a detailed harbor map.

Ms. Moore reported that, "The Visitors Bureau is collaborating with the Department of Beaches and Harbors to create a series of flagpole banners and wind disks throughout the Marina. You've already seen that the banners are up along Admiralty Way and on the side streets. We've had very nice feedback from residents, visitors and the general public about the good feeling that is brought to the Marina. We are in production right now with some wind-activated disks, which are to be installed along the waterfront walk area. Those should be up in the next several months. First and foremost, I would like to thank Stan Wisniewski and the Department of Beaches and Harbors' staff. They've been very proactive in doing everything they can to help improve the feeling and the ambiance of the community. We're very grateful for that and that helps tourism. Lastly, we continue to do everything we can to generate positive media coverage of this community. In the upcoming August edition of "Sunset" magazine the Bureau helped generate a nice little travel story on Marina del Rey called "Fun Marina Style." Ms. Moore informed the Commissioners that the story resulted from travel writer Matt Jaffey's visit to the Marina a few months ago.

Commissioner Lesser commended Ms. Moore on the harbor directory. Vice-Chairperson Stevens referenced the directory's map and said the Argonaut recently contained a letter to the editor discussing the way the Santa Monica Windjammer's Yacht Club was treated. She said the letter is not consistent with what Beaches and Harbors' staff told the Commission, which was that the Department would not let a yacht club go out of business as long as it wished to remain in the Marina. Vice-Chairperson Stevens asked whether the directory's map shows the current location of the Santa Monica Yacht Club. Mr. Wisniewski responded that the map is slightly off. It shows the Yacht Club as encompassing Parcel 47 and Parcel 44, which is not under lease to the Yacht Club. Vice-Chairperson Stevens asked whether the Department would let the Santa Monica Yacht Club "go begging." Mr. Wisniewski responded it is the Department's intent to provide an economic location for the Yacht Club to relocate.

8. COMMUNICATION FROM THE PUBLIC

Chairman Searcy opened the floor to public comment. He informed members of the public that this is the opportunity for them to speak on non-agenda items.

Ms. Nadine Gallegos said, "I spoke at the June 11 meeting regarding my desire to have a place to park my kayak on Palawan Way. At that meeting, the Director suggested I talk to Mr. Moliere. I have been corresponding with him on E-mail and I've gotten some interesting replies and I was hoping he would be on the agenda today. One of the things he said was that he was directing his staff to investigate the practices of other Southern California anchorages to see what their practices are on various things, not just kayaks. Also, on the 18th, he said, 'be assured we will thoughtfully solicit and consider input from a wide range of sources for implementing policies.' I'm here to see if there's any progress. I know that I picked up a May document on the Marina del Rey Boat Launch Guest Dock, which says that the dinghy storage is located at Mothers Beach and there's currently an 18-month waiting list...I've been there more than a year. My interest now that I've retired is having a place by the water, which is 15-feet from the water. Another thing Mr. Moliere said was 'they're attempting to locate areas that would add storage areas.' Those are the kinds of things that I'm interested in, just finding out how they're doing because I'm interested in parking my kayak there."

Mr. Moliere responded that the Department has reopened the dinghy storage area. He explained that over 30 people were taken off the waiting list and given spaces. There were some non-renewals and approximately 50 people might be removed from the waiting list and given storage spaces. Mr. Moliere said that the longer-term solution is to increase capacity and there is a demand for it. Staff is actively investigating this possibility. The Department's design consultants will review the whole storage area and provide direction on master planning and creating a more efficient use of space. Mr. Moliere said staff also looked into the possibility of other marinas providing storage, but it turned out to be difficult for a variety of reasons, not the least of which is the issue of liability. Chairman Searcy asked Mr. Moliere whether staff has a timeline to resolve the problem. Mr. Moliere responded that the dinghy racks are currently open and people are being moved from the waiting list and given space. Mr. Wisniewski added that a study by EDAW will be commissioned that would master plan all of the public beach area. Additionally, responses to the Request for Proposals for the Mother's Beach area are due August 11. It is in the Department's best interest to master plan the public facilities in light of what private facilities would be there. He said that since this is a year's process, the Department would request EDAW to explore an interim solution that would get everyone off the waiting list and into a temporary storage space. Chairman Searcy requested staff to report on this issue on a monthly basis.

Mr. Gerald Sobel said, "It's very well known that boats are being evicted from this harbor, the smaller boats are having a hard time finding slips. I'm at Pier 44. There are no vacancies. There's a waiting list. All of this stuff about too many small slips is bogus. I wonder what this harbor is doing putting up tall buildings. If you know anything about sailing, if you get next to another sailboat it could screw up your wind. The buildings that already exist affect the wind, creating vortices and changing the wind direction radically 180 degrees as you sail up the main channel. This whole marina was founded in a congressional act. I believe it was 389 in 1953. It was supposed to be a recreational boat harbor. In fact, the original plan calls for a giant lagoon surrounded by slips, I mean by marinas. It was supposed to be 8,500 slips for boats. Within a year after this agreement from Congress, practically after the ink was dried, they changed it into a yacht harbor saying they didn't have enough money to build what they were going to build. There are issues with gas, oil wells, polluted land seeping out of the ground, yet they want to disturb more land, build high rises. These high rises, if you sail along the main channel, as you go past the basins, the wind is funneled down those basins, you get hit by a major gust of wind. Then you go a little further where there's a mole, there's very little wind. When you increase the height of these buildings you're going to have much less wind at the end of each

mole. You're going to have a canyon like effect of accelerated wind down the basin. A child sailing in el toro might flip over, if it's in the winter time it might mean that he dies because of hypothermia. There's been an assault on boating facilities, such as the Santa Monica Windjammer's Yacht Club, which sponsors so much recreational boating, racing activities, etc. You got the eviction of the Sea Scouts from their ship building and now the County is talking about demolishing the ship building....there's some story of asbestos. There's prejudice against wood boats. I don't happen to have a wood boat, but when this harbor was built, there were practically no fiberglass boats in existence, so how can they go around saying you can't have a slip because you have a wooden boat? That's so ridiculous."

In response to Mr. Sobel, Chairman Searcy said, "We have looked at some of these issues, if not all of these issues, previously in terms of the wind studies, etc. It is very apparent to the Chair, and, perhaps, other members of the Commission, that there is a difference of opinion as to whether or not the consultants we have utilized at the County of Los Angeles are either accurate, to be believed, misrepresenting, etc. The issue of wind shear coming off buildings is something that is looked at during the time of any new buildings, renovations, or increase in height or even decrease, and the effect there. In the absence of some contrary scientific data, which is presented by recognized people in that field, which would show that either some assumptions were incorrect or data interpretation was incorrect...or however it is that it's wrong, we have nothing other than the information that's been provided. I know that this has been looked at. We haven't just relied on one set of consultants in this regard. We've looked at and utilized several. These are third party consultants out there who do this for harbors across the country as well as the California basin. Oil wells, etc., this is an issue that's been looked at, people have raised it. We have specifically commissioned staff to go back and look at that to see if things identified in the public record, exactly what they were, how they were dealt with... All of the construction that occurs has to go through traffic studies, environmental studies, etc. It isn't something that we ignore. We have looked at it. If there's a discrepancy in the data, the data is available. Regional Planning has these materials. They will certainly let you go down, sit and pour over it, either individually, or bring a consultant with you, so that you could determine where these matters have gone wrong. In the absence of some other data that says we made a mistake, we have to go with the data that's on file."

Mr. Steven Alexander, a legal liveaboard at Marina Harbor, said, "I've been a legal liveaboard in Marina del Rey for 12 years. You Commissioners are aware that there is a critical slip shortage in Marina del Rey. I believe you understand that as long as Deauville Marina is vacant there are over 600 slips taken out of availability to boaters. However, there is an additional development project proceeding in Basin A at Marina Harbor. Over 150 boaters have been told to vacate the premises. I'm one of these people. I'm a legal liveaboard and I absolutely have no where to go. In fact, none of the other marinas accept new liveaboards. I do have a fiberglass boat. It is well maintained. It is self-navigable. It's a sailboat with a working engine and I cannot find a slip. I cannot find a slip in Marina del Rey. I cannot find a slip in L.A. Harbor, Long Beach, San Pedro, Ventura or Oxnard. I believe me and my neighbors need some help. Perhaps, the project in Marina Harbor should be delayed until the problem at Deauville Marina is solved. I don't understand how you can exacerbate the known existing problem that you have. You know you have 650 slips unavailable. You know there is a critical shortage of slips in Marina del Rey. The sheriff told you today that his impound is full. He can't impound any more boats and there will indeed be dozens, dozens of abandoned boats in Marina harbor because they have nowhere to go. They are not derelict boats by any means. These are legitimate boats. The owners of these boats have nowhere to take them, nowhere to put them. I think this Commission should look into this problem and consider mitigating it. It would be easy enough just to simply not allow additional development programs to proceed while you have the problem ongoing at Deauville Marina, while you have a known critical shortage of slips. This is the planning commission. I think you should do some planning."

Mr. Wisniewski said, "When lessees develop new slips, we encourage them to do it on a phased basis so they minimize the displacement of tenants." He requested Mr. Levine to come to the microphone to discuss the efforts he's made in this regard. Chairman Searcy commented that Mr. Alexander made a valid point relative to the number of slips that are out of service. Mr. Wisniewski said that 650 slips are not out of service, it's more in the 400 range. He said that last month's slip vacancy report showed a significant number of vacancies in the 30' and below category. Mr. Wisniewski said that, relative to liveaboards, the County has never mandated that a lessee accept liveaboards. Lessees have been encouraged to allow liveaboards. Approximately 10% of slips at anchorages throughout the Marina are allocated to liveaboads.

Mr. Levine, representing owners of Marina Harbor Apartments and Anchorage said, "Several years ago, the owners of Marina Harbor and the County of Los Angeles came to an agreement on the terms of an amended lease that would call for reconstruction and reconfiguration of the anchorage. We went through an arduous planning process and secured a Coastal Development Permit (CDP) after extensive hearings at both the Regional Planning Commission, Design Control Board, and California Coastal Commission, to proceed with a phased reconstruction and reconfiguration of Marina Harbor. We received the final CDP last fall and we proceeded with the phased reconstruction of the Harbor as mandated by the California Coastal Commission. We are only allowed to do construction in the water in a limited period of time, which forces us to phase the construction in a way that actually minimizes the impact on boaters in Marina del Rey. Last winter we carried out the first phase of that work. We constructed two entirely new docks and we rebuilt two other existing docks as is. We, at the time, were the first anchorage to propose a phased reconstruction and we did so in order to minimize the impact on the public. For the last several years we have had a policy at Marina Harbor of not making any slips available to any member of the public without first making that slip available to boaters within Marina Harbor in order to try to minimize the impact of potential dislocation on boaters in Marina Harbor. We have kept our boaters apprised of the phasing of the construction at meetings that we've had that have been open to the public as well as to our boaters on our site. As a result of this, a few months ago, we notified boaters in a section of the anchorage that we intend on rebuilding...beginning October 1. We notified them some six months in advance what docks would be affected by construction next winter. These are boaters that have known that construction would take place over a period of years. As I've already suggested to you, these are boaters that have had the opportunity to move to other portions of Marina Harbor that are subject to later reconstruction, if you will, on an ongoing basis whenever those slips were available. Unfortunately, there will be boaters at Marina Harbor that we will not be able to accommodate, particularly, during the period of construction itself, which is likely to last from October 1 until March 31 of this year and next winter. We provide our boaters with an extensive list of other anchorages for them to call. Our management staff is empowered and asked by the ownership to cooperate whenever possible with boaters. We have tried to be sensitive to our boaters throughout this entire process and, I think, frankly, we've done more than what's required of us and we've done everything we believe we possibly can to make this situation, as difficult as it is, as easy as possible for boaters within our anchorage. I will tell you that right now we actually do have boat slips that are available for boats in the 35', 30' and 25' categories. The real problem in Marina del Rey is not the availability of slips for small boats. The real problem in Marina del Rey is the lack of availability for boats that are 40'-60' in length. This is a point that needs to be emphasized to this Commission and to all of the planning bodies associated with Marina del Rey. As much as there is concern expressed by a limited number of small boaters with boats 35' and under, the reality of the market place is there is a substantially larger number of boaters with boats 40'-60' that Marina del Rey can't presently accommodate because of the configuration of the anchorages in Marina del Rey."

Mr. Levine added, "If Mr. Alexander has an issue with something going on in the anchorage, this is the first I'm hearing about his particular individual case. I'm happy to sit down and explore what the situation is with his boat. What I talked to you about today is our general principle of management. To have a conversation without having the courtesy and benefit of an intelligent conversation

beforehand with me privately will not be as productive because I simply need to have some time and notice to look into the individual situation."

Ms. Patricia Raye asked Chairman Searcy whether he has ever tried to sail a boat. Chairman Searcy responded that he has done some sailing. He said that his brother worked as an instructor at the Fairwinds Yacht Club and has owned a series of boats since 1969. Ms. Raye asked Chairman Searcy whether he is the primary captain of a boat. Chairman Searcy responded that he is not the primary captain. Ms. Raye asked the Commissioners whether they are aware that large boat owners were given notification to vacate, but small boaters did not receive notification and became transients. Chairman Searcy informed her that the anchorages, not the Commissioners, give notices to vacate.

Ms. Raye read a prepared statement: "I stand before you all today, not only on behalf of myself and Johnny Rotero, but also many others. Some that could not make this meeting and, hopefully, especially for those who could not. Those who work and who've been working and were taken from their slips and falsely afterward were accused of being a transient, as if that were the worse crime ever committed by a man, and now live in shame due to the allegations that they are no good nor a contribution any longer to this Marina del Rey community. When it comes to the 4-hour dock there is one particular person, Jose Mata, who stands with his finger, tries everyone, and decides according to the size of their boats, how shiny it is, the size of their pocketbooks and whether they can reason well enough. Let's not even bother with incidentals, such as they lived happily on these waters from the beginning...maintained peace and respect and governed their lives according to the universal golden rules, which are: to serve, not to be served; to understand, not to be understood; and live to give, not to receive. How are you paying them back? How are you paying them back? By turning them into so-called transients, so-called criminals?...I stand in direct defiance of...the claims made by Jose Mata, the rather emotionally disturbed claims that are increasing daily, and the list. I want that damned list...According to the sheriffs, they have gotten rid of that list. They erased it, but I've lived with it for 10 ½ months."

Mr. Wisniewski informed the Commission that the transient boat facility has slips that cost 50 cents a foot that could be used on a night-to-night basis for a certain number of days per month. There is also a 4-hour guest dock that is free. A number of individuals have tried to use the 4-hour dock as a permanent mooring and would come back at night after the Chace Park staff has left. Legitimate users of the transient docks have complained that they don't want to use the transient facilities because they fear there would be theft and other problems. The Department had to increase enforcement action at the docks and has coordinated its efforts in this regard with the Sheriff's Department, as well as hired a private security firm, to ensure the transient facility is used for its intended purposes. Unfortunately, there are people who continue to try and take advantage of the system. Mr. Wisniewski said the Department has checked into the allegations against Jose Mata, Chace Park's manager, and found them to be retaliatory. He commended Mr. Mata's management of the docks.

Mr. James Sokalski, president, MdR News, said, "It's apparent that the Commission and staff have been moving in a more responsive way towards many community concerns and writing the reports as directed by the Commission. It seems to have helped the tone or sense of being left out by a number of people, particularly those who have been coming to this meeting or this body for a long time, such as myself. I would suggest that you look in the area of public participation at what the Coastal Commission does. As the ceding of time by speakers is back clearly in the hands of the Chair, you might want to look at what the Coastal Commission does. They are the lead agency in regard to public participation and the interpretation of 30006. That's not only a nice thing to do, but it would give you legal cover in the event someone or someones filed suit in this regard. Also, in the comment that Carla Andrus raised earlier about documentation not being available, using the particular case of the legitimacy of the County's ownership of the Marina, you might follow the model that the Coastal Commission uses as well. At their office, they have all of the original documents available for

inspection by the public. They also put much of it on a website. It's low cost, relatively simple to do, for the Department to move in that direction as well. They did that in some regard in the past year, but they could put much original documentation as well. Just about all the documentation is prepared in electronic format now, so it's not much of an effort to ask submitters to submit electronic copies as well. This is being done in court processes right now, so it would be relatively simple, a few minutes, to convert it to a Adobe Acrobat document and post it on a website. It would further enhance those who want to research or look at documentation or have some credibility issue regarding County governance and/or major lessees caring about them, that they could look at this documentation. It would also serve your mission that it also is a complex process, this governing, anywhere, but particularly the Marina, with all the overlapping jurisdictions. It gives them some guidance that there's some rhyme and reason to what's going on. I see that as a frustration in many, many people, many that I talk to. It's all about that actually. I'm speaking in your behalf more than anything of the complexity of government and of managing such a thing. I think there are some advantages to the Department, and to this Commission and County government, to move in that direction."

Mr. Wisniewski informed the Commission, "When the mailing is made to your Commission all of the documentation that you get is put on our website; it has been for quite a number of months now." Chairman Searcy explained that Mr. Sokalski was suggesting making the background information that Mr. Weiss used for his report available on the website as well.

Ms. Carla Andrus said relative to documentation, "You can go to the library and it's not even complete. I've asked for records and they've told me it's budget concerns. We should have a timeline. We have EDAW, the agency we paid $170,000 for, and they focus on history as an important and primary way for them to look at how they're going to see this Marina. I hope we have a meeting, a public night meeting with that agency so that we could all chime in on what this Marina should be about. It shouldn't be about, what I think is, market manipulation. You have Deauville over there and I know everybody wants to think it's the public's fault that Deauville hasn't proceeded. That lawsuit had merit to it and we still want to be able to participate in what Doug Ring is doing over there. Why hasn't he started yet? I have no idea. In the meantime, his residents at Bar Harbor are getting rent increases on docks that are scheduled for demolition. I don't see what's fair and reasonable about rent increases in that dilapidated marina. It seems to me like it's a way to raise the rents and chase the riff raff out. We're gentrifying this Marina. Even in our promotion with the Information Center, they talk about the glistening million dollar yachts. This Marina isn't just about glistening million dollar yachts, although I love million dollar yachts. I'm glad they're here. They help the economy, but this is for recreational boating. The little docks over here where they can have their kayaks and stuff, I don't understand why all that recreational use, that's 100 and some odd boats, are being eliminated from that area. Are you going to bring it back to that area and expand that area? There's 108 recreational opportunities there for people to take their boats off of those racks." Mr. Wisniewski responded that the area was renovated and the dinghy storage is back in service. There is intent to expand the area. Ms. Andrus added that she likes that Mother's Beach was opened up, but doesn't like that the trees were chopped down. Mr. Wisniewski informed her that those are shrubs, not trees. Ms. Andrus suggested the shrubs be removed and the area be landscaped. Mr. Wisniewski informed her that he would look into the matter.

Ms. Kimberly Townsend, who shares a liveaboard with Steve Alexander, said "Half of those 40'-60' slips are vacant. Where it comes from that there's a high demand for 40'-60' docks, I don't understand. Most of the boats here are 35', 30' slips. We have nowhere to go. We're going to have to sell our boat. That means we're going to be homeless. Have any of you ever been homeless?" Chairman Searcy responded that he has. Ms. Townsend continued, "I've been homeless too. I want to ask you, what do you think all of the displaced liveaboards should do? There's going to be a lot of us displaced on September 14 when they say you have to be out of there. What do you think we should do? Where should we go?" Mr. Wisniewski informed her that Mr. Levine will discuss the matter with her after today's meeting. Ms. Townsend asked, "What about the rest of us? There's a

lot of people here who are retired and live on their boats. They have no where else to go either." Mr. Wisniewski responded that she should speak to the lessee first. He reiterated his earlier statement that the County does not mandate lessees to accept liveaboards. Lessees, through their own policies, have generally adhered to a rule of 10% liveaboards in their anchorages. Commissioner Lesser suggested that, perhaps because of the unique temporary situation, the lessees could increase the percentage of liveaboards in their anchorages. Mr. Wisniewski said he would encourage lessees to do it on an interim basis if their facilities could accommodate it. He suggested that Mr. Levine, as president of the Lessee's Association, bring this suggestion to the attention of the lessees. Mr. Levine informed the Commission that Marina Harbor has traditionally had a higher percentage of liveaboards than the 10% average. He said he isn't responsible for the management policies of other anchorages in the Marina and his anchorage deliberately pursued the policy of a phased reconstruction to minimize the impact on the public. Mr. Levine said he is happy to meet with any of the Marina Harbor boat tenants to try and assist them.

Mr. Wisniewski said to Mr. Levine, "To the extent there are displaced liveaboards that can't be accommodated in the reconstruction, I request that you go to members of the Lessees Association and find out if there are any that could accept the liveaboards on an interim basis until you have facilities that could be made available after your construction." Mr. Levine responded that he would do that.

Mr. Joe Crist said, "I have a 32' powerboat, twin engine. I used to use it for fishing until I was placed in the slip that I have now. I listened with some interest to Mr. Levine say that there's no shortage of small boat slips. My boat is small, it's under 34 feet. I talk to the dock master daily to the point where he doesn't want to see me come in his office anymore because there aren't any. Mr. Levine says there are. I would like to know where they are. If he will tell the dock master where there are I will be there...my boat will be there in an hour. So, please help me. I was told I have to get out by September 15. Where? Tell me where? Somehow, in the planning of the Marina, you have allowed Dolphin, B Basin North, to be totally emptied, which destroyed the number of available slips in the rest of the Marina, totally destroyed it. So, we have no place to go. There's no place available. Mr. Levine says there are places for the small boats. I would like to again ask him where."

Chairman Searcy suggested that Mr. Levine speak to Mr. Crist about the location of the available slips.

Mr. Al Lehman said, "You mentioned that there's a list maintained by the superintendent at the park." Chairman Searcy informed Mr. Lehman that he didn't hear Mr. Wisniewski indicate that a list existed, rather, Mr. Wisniewski explained that he was aware there was abuse of the docks and there had been incidences when Mr. Mata had to deal with repeat offenders. Mr. Wisniewski affirmed that he hadn't mentioned the existence of a list. Mr. Lehman continued, "While I was at Bar Harbor my boat sank under somewhat suspicious circumstances. I was given a three-day notice to bring it back up or vacate. It takes more than three days for us to bring a boat up, so that was a little unreasonable. I went over to the park and stayed there. I was in the 4-hour zone. I was told that if I didn't take the boat out to anchor I would be arrested for trespassing. I informed the Coast Guard and they said 'if you put that boat out there to anchor it creates a problem with navigation and you shouldn't do it.' I was on the phone talking to the Coast Guards when the sheriffs come up and start threatening me. Don Klein was there when they originally started threatening me...I said I could put it out to anchor if I thought it was safe. I then moved it from the 4-hour zone into another park anchorage and paid. I called the sheriffs and told them I moved it from the 4-hour zone and think I solved the problem for now. They said 'we told you if you weren't out of the park we were gonna come and arrest you,' which they did. The money was in the envelope in the park's office. They arrested me, impounded my boat and basically created quite a few problems for me...I've never been arrested before. It was an experience. The sheriffs were fairly polite. They've always been somewhat reasonable in doing what they're doing. I don't always agree with what they're doing, but they've always been fairly easy

to talk with and usually try to help out the situation rather than compound it. The things that concern me: 1) I was legally registered in the park and they still were trying to get me to do something that was unsafe. To put the boat out there was a hazard to navigation. I just want to express my concerns. There will be things happening to try to correct the things that happened to me and that will be through the legal course. I just want to make sure you are aware of that; and 2) There are things going on with the small boats and slip availability, there is a shortage."

9. ADJOURMENT

Chairman Searcy adjourned the meeting at 11:45 a.m.

Respectfully submitted,

Toni Minor, Secretary

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

MARINA DEL REY STATION

PART I CRIMES- JULY 2003

Part I Crimes	MARINA AREA (RD'S 2760-2763)	EAST END (RD'S 2764-2768)
Homicide	0	1
Rape	1	1
Robbery: Weapon	0	1
Robbery: Strong-Arm	0	0
Aggravated Assault	5	5
Burglary: Residence	2	14
Burglary: Other Structure	4	3
Grand Theft	11	5
Grand Theft Auto	8	9
Arson	0	0
Boat Theft	1	0
Vehicle Burglary	9	8
Boat Burglary	1	0
Petty Theft	5	9
Total	47	56

Note- The above numbers may change due to late reports and adjustments to previously reported crimes.

Source- LARCIS, **Date Prepared** – August 14, 2003
CRIME INFORMATION REPORT - OPTION B

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT
MARINA DEL REY STATION
PART I CRIMES- JULY 2003

	West Marina 2760	East Marina 2761	Lost R.D. 2762	Marina Water 2763	Upper Ladera 2764	County Area 2765	Lower Ladera 2766	Windsor Hills 2767	View Park 2768	TOTALS
Homicide									1	**1**
Rape		1					1			**2**
Robbery: Weapon							1			**1**
Robbery: Strong-Arm										**0**
Aggravated Assault	3	1		1	1		2	2		**10**
Burglary: Residence	1	1			1		6	3	4	**16**
Burglary: Other Structure	1	3					1	2		**7**
Grand Theft	9			2				3	2	**16**
Grand Theft Auto	6	2				1	3	3	2	**17**
Arson										**0**
Boat Theft		1								**1**
Vehicle Burglary	4	5					2	3	3	**17**
Boat Burglary				1						**1**
Petty Theft	2	3					3	3	3	**14**
REPORTING DISTRICTS TOTALS	**26**	**17**	**0**	**4**	**2**	**1**	**19**	**19**	**15**	**103**

Note- The above numbers may change due to late reports and adjustments to previously reported crimes.

Source- LARCIS, **Date Prepared – August 14, 2003**

CRIME INFORMATION REPORT - OPTION B

Los Angeles County
Beaches & Harbors
Caring for Your Coast

To enrich lives through effective and caring service

August 21, 2003

TO: Small Craft Harbor Commission

FROM: Kerry Gottlieb for Stan Wisniewski, Director

SUBJECT: **ITEM 3b - MARINA DEL REY AND BEACH SPECIAL EVENTS**

MARINA DEL REY EVENTS

THE MARINA DEL REY SUMMER CONCERT SERIES FINALE

Presented by Arrowhead Mountain Spring Water
Burton Chace Park
August 30
7:00 p.m. – 9:00 p.m.

Patti Austin and the Gregg Field Big Band will close the Marina del Rey Summer Concert Series on Saturday, August 30. Parking is available in Lot 4 on Mindanao Way and Lot 5 on Bali Way for $2.00 per vehicle.

For information call: Marina del Rey Visitor Center at (310) 305-9545.

FISHERMAN'S VILLAGE WEEKEND CONCERT SERIES

Sponsored by Pacific Ocean Management, LLC
All concerts from 2:00 p.m. – 5:00 p.m.

Saturday, August 30
The New Orleanians, playing Dixieland

Sunday, August 31
The Nic & Kid Show, playing Jazz & Swing

For recorded information call: (310) 823-5411.

13837 Fiji Way • Marina del Rey • CA 90292 • 310.305.9503 • fax 310.821.6345 • internet: http://beaches.co.la.ca.us
Stan Wisniewski Director • **Kerry Gottlieb** Chief Deputy

BEACH EVENTS

THE HERMOSA BEACH FALL FESTIVAL

Sponsored by Hermosa Beach Chamber of Commerce
Pier & Hermosa Avenues
August 30, 31 and September 1
10:00 a.m. – 6:00 p.m.

Arts and crafts from throughout the West will be featured at the Hermosa Beach Chamber of Commerce Fall Festival on Memorial Day Weekend from 10:00 a.m. to 6:00 p.m. on all three days and includes free admission. The family-oriented festival will also feature kiddy rides (for a minimal fee), a restaurant cantina, two sound stages, and a beer and wine garden.

The street fair is located at Pier and Hermosa Avenues. Parking in town is limited, so visitors are encouraged to park at the TRW parking lot at Manhattan Beach Boulevard and Doolittle Street. A free shuttle bus will run continuously from 7:30 a.m. to 7:30 p.m. from the lot to Pier at Manhattan Avenue. Parking is also available at Mira Costa High School, with the Wave Buses providing free shuttle service to and from the festival.

For information call: Hermosa Beach Chamber of Commerce at (310) 376-0951.

THE SANTA MONICA TWILIGHT DANCE SERIES FREE CONCERT

Presented by the Santa Monica Pier Restoration Corporation
Santa Monica Pier
August 28
7:30 p.m. – 9:30 p.m.

Renegade trumpet player Russell Gunn and special guest, Hiromi Uehara, will close the Pier's 19th Annual Twilight Series.

For more information call: (310) 458-8900.

THE SANTA MONICA "DRIVE-IN" AT THE PIER

Sponsored by the Santa Monica Film Festival
& Santa Monica Pier Restoration Corporation
Santa Monica Pier
August 26
8:00 p.m.

You're invited to experience a classic American pastime by watching the movie, "Grease," under the stars and over the waves on the Santa Monica Pier. Be sure and bring something or someone to keep you warm. Admission is free, but tickets are required. Doors open at 6:30 p.m. and shows start at sunset, around 8:00 p.m.

For more information call: (310) 458-8900.

THE CITY OF LOS ANGELES TRIATHLON
@ VENICE BEACH
Venice Beach Pier
September 7
6:30 a.m.

The triathlon will feature Olympic and Sprint races. Categories include individuals, relays, collegiates and a professional race. The "Pro" prize purse is $60,000. The Olympic distance is a 9-mile swim, 24.8-mile cycle and a 10K run. The Sprint distance is a 4-mile swim, 20-mile cycle and a 5K run. This is a point-to-point triathlon with two transition areas.

For more information visit website: http://www.latriathlon.com.

SW:DC:mc

Los Angeles County
Beaches & Harbors
Caring for Your Coast

To enrich lives through effective and caring service

County of Los Angeles
California

August 21, 2003

TO: Small Craft Harbor Commission

FROM: Kerry Gottlieb for Stan Wisniewski, Director

SUBJECT: **ITEM 4a - CONSENT TO ASSIGNMENT OF PARTNERSHIP INTEREST IN MARINA PACIFIC ASSOCIATES, L.P.; APPROVAL OF REVISIONS TO THE PROPOSED AMENDED AND RESTATED LEASE; AUTHORIZATION OF EXERCISE OF OPTION AS TO REVISED AMENDED AND RESTATED LEASE; AND APPROVAL OF AGREEMENT REGARDING ENCUMBRANCE OF LEASEHOLD ESTATE (PARCELS 111T/112T – MARINA HARBOR APARTMENTS AND ANCHORAGE)**

Item 4a on your agenda appeared on your last month's agenda, however, certain of the necessary underlying documents were not completed in time to provide appropriate time for review by your Commission prior to the meeting. The item relates to a set of proposed actions as to the Parcels 111T and 112T leaseholds that are being implemented to facilitate financing and enable the approved redevelopment of these parcels, which consist of the following:

- An assignment of general partnership interest in the leasehold in order to facilitate financing of the proposed project improvements (the action is an internal reorganization of the leasehold entity and does not represent a sale of the leaseholds);

- Revisions to the previously approved amended and restated lease to allow the lessee to obtain construction financing by clarifying and in some cases enhancing the protections afforded an approved encumbrance holder under the lease, i.e., enhancing the lenders' ability to cure leasehold defaults and assure completion of proposed construction; and

- Approval of an agreement among the County, the lessee, and prospective lenders to establish and record public notice of priority among lenders.

The attached Board letter and exhibits provide details relating to these actions. Your concurrence with my recommendations to the Board of Supervisors is requested.

SW:ak

Attachments

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Stan Wisniewski Director • Kerry Gottlieb Chief Deputy

Los Angeles County
Caring for Your Coast
Beaches & Harbors

To enrich lives through effective and caring service

August 20, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

CONSENT TO ASSIGNMENT OF PARTNERSHIP INTEREST IN MARINA PACIFIC ASSOCIATES, L.P.; APPROVAL OF REVISIONS TO THE PROPOSED AMENDED AND RESTATED LEASE; AUTHORIZATION OF EXERCISE OF OPTION AS TO REVISED AMENDED AND RESTATED LEASE; AND APPROVAL OF AGREEMENT REGARDING ENCUMBRANCE OF LEASEHOLD ESTATE (PARCELS 111T / 112T - MARINA HARBOR APARTMENTS AND ANCHORAGE) - MARINA DEL REY
(4TH DISTRICT)
(4 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed Assignment of Partnership Interest, the Revisions to the proposed Amended and Restated Lease, and the Agreement Regarding Encumbrance of Leasehold Estate are categorically exempt under the California Environmental Quality Act pursuant to class 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines.

2. Approve and authorize the Chair of the Board to sign three copies of the Consent of County of Los Angeles to Assignment of Partnership Interest (Consent) in Marina Pacific Associates, L.P. from the existing general partners, CMR, Inc. and the Epstein Family Trust, to Marina GP, LLC as sole succeeding general partner.

3. Approve and authorize the Chair to execute three copies of the Agreement Regarding Encumbrance of Leasehold Estate (Encumbrance Agreement).

4. Approve Revisions (Revisions) to the proposed Amended and Restated Lease Agreement (Restated Lease) to modify provisions relating to lender protection

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issues, lender cure of lease defaults, and leasehold operation and transfer after foreclosure.

5. Authorize exercise of the Option To Amend Lease Agreements (Option) based upon the Restated Lease with the Revisions, and authorize the Chair to execute the Restated Lease upon presentation by the Director.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 16, 2002, your Board approved the Option and prospective execution of the Restated Lease granting the lessee, Marina Pacific Associates, L.P. ("MPA"), a California limited partnership, a 39-year lease extension upon appropriate exercise of the Option for Parcels 111T and 112T to facilitate construction of 120 new apartments and phased renovation of 846 existing apartment units, construction of a new marina and a waterfront promenade, and other improvements (complete exterior and interior common area renovation and new building exterior facades, etc.). At that time, your Board approved the form and content of the Restated Lease that would be used upon MPA's exercise of the Option. MPA has now received all necessary entitlements and permits to begin construction and has negotiated financing for the project preparatory to the exercise of its Option for lease extension.

Reorganization of MPA

In order to facilitate its project financing and in anticipation of its exercise of the Option, MPA now seeks to restructure its organization by assignment of its existing general partner interests to a single newly constituted general partner. Specifically, MPA wishes to assign the general partner interests in MPA held by co-general partners CMR, Inc. and the Epstein Family Trust to Marina GP, LLC, a Delaware limited liability company ("MGP") as succeeding sole general partner. Accordingly, MPA is requesting the County's execution of the attached Consent (Exhibit 1). Although limited partnership interests in MPA are also being assigned concurrently, such actions do not require the County's consent under the existing lease.

The Department is requesting that your execution of the Consent be conditioned upon delivery by MPA and other appropriate parties of the attached executed Assignment of Partnership Interest in MPA and Acceptance of Assignment of Partnership Interest (Exhibit 2). A diagram has been attached that delineates the current structure of MPA (Exhibit 3) and a separate diagram has been attached that delineates the proposed resulting structure of MPA after the requested transfers of general partnership interest to MGP (Exhibit 4).

Marina del Rey leases provide that the County's consent is required for the proposed assignment of general partnership interests and that such consent may not be unreasonably withheld. Department policy provides that the County's approval or denial of any assignment will be based on one or more of the following: a) the financial condition of the assignee; b) the price to be paid for the leasehold as it relates to the improvements or potential development

thereon; and c) the management of the leasehold by the new lessee being in the best interest of the total Marina project.

Our review has found: 1) a reorganization of the general partnership interests in MPA is necessary to facilitate new financing and the resulting leasehold entity will emerge in appropriate financial condition to operate the leasehold and perform the construction and renovation obligations under the current and, later, the Restated Lease should the Option be exercised, such that the County's ongoing interests will be protected; 2) the proposed assignment does not involve a sale of the leasehold, but rather an internal reorganization of the lessee entity and there is, therefore, no price component involved in the proposed assignment; and 3) the leasehold will continue to be managed by the current managers, Marina Pacific Associates and E.S. Ring Management, who have been managing both parcels since January 30, 1978.

Revisions to Proposed Restated Lease

In connection with its proposed financing of the project, MPA has requested approval of certain revisions to the proposed Restated Lease, which you previously approved when you authorized entering into the Option on April 16, 2002. The revisions to the proposed Restated Lease have been requested primarily by the proposed construction lender in order to clarify, and in some cases enhance, the protections afforded an approved encumbrance holder under the lease. Some of the provisions do result in provision of longer cure periods and the cut-off of some monetary obligations on behalf of the lender, although these obligations remain with relation to the lessee. These revisions were negotiated by the department and our outside legal counsel and have been determined to be both appropriate in order to allow the lessee to obtain construction financing and within the range of acceptable provisions contained in modern complex leases as relating to the rights and protections of encumbrance holders. The proposed revisions are intended to: a) clarify and modify the obligations of a resultant holder of title to the leasehold in the event of foreclosure or bankruptcy; b) clarify certain definitions and the applicability of lease provisions with respect to lessees and with respect to encumbrance holders and their successors in the leasehold during and after events of default; and c) provide more detailed description and modification of lenders/encumbrance holders' rights and responsibilities with regard to curing events of default.

A copy of the Restated Lease, marked to show all proposed revisions, is attached as Exhibit 5. The Revisions to the Restated Lease fall into three general categories as follows:

1. Revisions relating to the rights of encumbrance holders under the Restated Lease.

   These Revisions are intended to define the rights and obligations of encumbrance holders and successor lessees in the event of default, foreclosure or bankruptcy and include expanded definitions to enumerate and clarify the parties and interests involved in financing events relating to the lease.

These revisions include, for example, provisions which recognize the rights of foreclosing lenders under the lease and allow expanded time to cure lease defaults so long as the foreclosing lender is making commercially reasonable and diligent efforts to effect such cures, as well as limit a foreclosing lender's obligation for interest accrual on obligations occurring more than three years prior to its assumption of title, although these obligations remain with relation to the lessee.

2. Revisions relating to the rights of lenders to cure lease defaults and assume lessee obligations so as to prevent reversion of the lease term.

An additional series of modifications to Section 12 of the Restated Lease is intended to allow sufficient time for a foreclosing lender and its subsequent transferee to cure lease defaults and prevent reversion of the lease to its original term so long as payment of leasehold obligations and diligent pursuit of completion of construction and renovation are proceeding by encumbrance holders and their transferees.

These Revisions also provide that a foreclosing lender may be entitled to a new lease, with the same lease term and subject to the same terms and conditions as the Restated Lease, in the event the lease is terminated by reason of bankruptcy, assignment for the benefit of creditors or similar proceedings or events beyond the reasonable ability of an encumbrance holder to control, provided the encumbrance holder cures under the new lease any of the pre-existing monetary defaults under the Restated Lease and commences and diligently pursues cure of non-monetary defaults (including construction of improvements) to completion.

3. Revisions that clarify definitions and the application of certain lease provisions and obligations as to the lessee and also as to succeeding lessees acquiring title by way of foreclosure.

These Revisions include a number of general technical changes and refinement of definitions and standards for County approvals during the course of the term of the Restated Lease. The Revisions treat such matters as the application of County discretion in approving lease assignments, imposition of interim new percentage rent categories for new leasehold activities, partial year interest payments and the like. These Revisions also include provisions to define the value base to be utilized in determining the County's share of net transfer proceeds in the case of transfer of the leasehold by the original lessee under the Restated Lease.

Encumbrance Agreement

Due to the complexity of the proposed loan structure required in order to provide financing for the new project construction (a second trust deed is being added to the existing financing that, in itself, has been "securitized" by sale into an existing mortgage pool), there is a necessity to both define the priorities among lenders in the event of a foreclosure, bankruptcy or other like

event and to record public notice of such financing and priority so that lenders may act to protect their position. This is accomplished by the Encumbrance Agreement, attached as Exhibit 6, which also sets forth the current state of lessee's compliance with its County lease payment and maintenance obligations, as well as identifies the foreclosing lender who will have rights to succeed to the County lease and thus assume the obligation to cure lease defaults in the event of foreclosure or bankruptcy.

The proposed Encumbrance Agreement is a document is to be recorded upon exercise of the Option and approval and funding of project financing that defines La Salle National Bank Association (La Salle) and General Electric Capital Corporation (GE) as approved "Encumbrance Holders" under the lease (subject to County's approval of the requested financing documents, amendments to the Restated Lease and assignment of leasehold interests). As between the parties to the Encumbrance Agreement only – MGP, the County, and the current and proposed lenders, La Salle and GE - the agreement also contains provisions that replace and supercede Section 12.7 of the Restated Lease in the case of bankruptcy, assignment for the benefit of creditors or similar instance beyond the reasonable ability of the encumbrance holders to cure. This provision parallels the applicable Revisions to the Restated Lease referenced earlier in this Board letter, but adds the proviso that if lease termination occurs due to lessee bankruptcy or assignment for the benefit of creditors or similar provision during the time the proposed GE loan is outstanding (whether or not the La Salle loan is then outstanding), the "new lease" to be provided by County to encumbrance holder(s) shall be with GE as successor lessee, provided GE cures all monetary defaults and agrees to commence cure of non-monetary defaults and diligently pursues such cure(s) to completion. In such instance, GE is also deemed to automatically assume all lessee obligations to La Salle under the La Salle loan to lessee. If the GE loan is not outstanding at the time of any such above referenced lease termination, then La Salle becomes the designated new lessee under the provisions of Section 12.7.

Implementation of Strategic Plan Goals

These recommendations are consistent with the County's Strategic Plan Goal of Service Excellence, in that while maintaining appropriate management of the leasehold and appropriate protection of County interests, they allow the transfer of the ownership interests and will facilitate financing and construction of new improvements and renovation to the leasehold.

FISCAL IMPACT/FINANCING

There is no current financial impact to the County as a result of the assignment, Encumbrance Agreement or Revisions. While certain provisions do result in longer cure periods and the cut-off of some monetary obligations on behalf of a foreclosing lender, those obligations remain with relation to the lessee. Facilitation of the exercise of the Option and financing of the project by virtue of approval of the assignment, Encumbrance Agreement and Revisions to the Restated Lease will produce two categories of benefit to the County upon exercise of the Option: 1) an extension fee of $3,250,000 and 2) rent increases due to the construction of 120

new apartments and renovation of 846 existing apartments and associated further leasehold improvements.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County and lessee have been operating under the original Lease No. 7073, dated June 28, 1963, as amended, for Parcel 111T and Lease No. 14910, dated June 10, 1969, as amended, for Parcel 112T. The parcels are currently improved with 846 apartments and 590 boat slips. With redevelopment that will be enabled by the assignment, Encumbrance Agreement and Revisions, there will be an additional 120 new apartments, replacement of all docks and slips with 319 new concrete docks and slips, renovation of all existing 846 apartments and of all exterior facades, landscape and hardscape, and development of a full waterfront promenade and a waterfront viewing park.

The Small Craft Harbor Commission is scheduled to consider the assignment, Revisions and Encumbrance Agreement at its meeting of August 27, 2003. We will advise your Board of the Commission's recommendations prior to your consideration of this matter.

The Revisions, Encumbrance Agreement and Consent have been approved as to form by County Counsel. The Restated Lease is authorized by Government Code sections 25536 and 25907.

ENVIRONMENTAL DOCUMENTATION

Approval of the assignment of general partnership interests, the proposed Revisions to the Restated Lease and the Encumbrance Agreement are categorically exempt under the California Environmental Quality Act pursuant to class 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines. The County, acting through the Regional Planning Commission, has previously approved a mitigated negative declaration for the proposed landside and waterside redevelopment/replacement contemplated to be performed under the Restated Lease. Your Board also previously found that the execution of the Restated Lease and the renovation of the existing apartment units, building facades and interior common areas also contemplated by the Restated Lease was categorically exempt under class 1(r) of the County's Environmental Document Reporting Procedures and Guidelines.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no impact on other current services or projects.

CONCLUSION

Please have the chair of the Board sign three copies each of the Consent to Assignment of Partnership Interest and three copies of the Encumbrance Agreement and instruct the

Executive Officer to acknowledge the Chair's signature on the attached copies and send two copies of each to the Department of Beaches and Harbors. Upon full satisfaction of all the conditions contained in the previously approved Option, the Director shall present the Restated Lease, with the Revisions authorized herein, to the Chair for signature on behalf of the County.

Respectfully submitted,

Stan Wisniewski

Stan Wisniewski, Director

SW:rm

Attachments (6)

cc: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel

EXHIBIT 1

CONSENT OF COUNTY OF LOS ANGELES TO ASSIGNMENT OF PARTNERSHIP INTEREST

The County of Los Angeles ("County") does hereby consent to (i) the assignment by the Epstein Family Trust, under restated declaration of trust dated October 15, 2001, to Marina GP, LLC, a Delaware limited liability company, of the Epstein Trust Assigned Interest, and (ii) the assignment by CMR, Inc., a California corporation, to Marina GP, LLC of the CMR Assigned Interest, pursuant to the attached Assignment of Partnership Interest in Marina Pacific Associates, L.P., such that after the effective date of such assignments, the sole general partner of Marina Pacific Associates, L.P. is Marina GP, LLC. All capitalized terms used, but not otherwise defined herein, shall have the same meanings given such terms in the foregoing Assignment of Partnership Interest in Marina Pacific Associates, L.P. It is further understood and agreed that this consent shall not be effective unless on or before the date of County's signature below the foregoing Assignment of Partnership Interest in Marina Pacific Associates, L.P. and the Acceptance of Assignment of Partnership Interest by Marina GP, LLC have been duly executed by all parties thereto and delivered to the County. This consent and the Assignment of Partnership Interest in Marina Pacific Associates, L.P. shall be null and void and of no further force and effect until and unless the Assignment of Partnership Interest has been irrevocably completed, and County has been notified in writing of such completion, within ninety (90) days after the date of County's execution of this consent. This consent shall not constitute County's waiver of any requirement of obtaining County's consent to any future assignment or transfer of any interest of the lessee in the Parcel 111 Lease and/or Parcel 112 Lease, or any ownership interest in the lessee, that may require County's consent.

APPROVED AS TO FORM:

LLOYD W. PELLMAN
COUNTY COUNSEL

By: _____

Deputy

THE COUNTY OF LOS ANGELES

By: _____

Chair, Board of Supervisors

ATTEST:

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

By: _____

Deputy

32369\1003940v5

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By:_____

ASSIGNMENT OF PARTNERSHIP INTEREST IN MARINA PACIFIC ASSOCIATES, L.P. (CMR and Epstein Trust General Partner Interests)

THIS ASSIGNMENT OF PARTNERSHIP INTEREST IN MARINA PACIFIC ASSOCIATES, L.P. (this "**Assignment**"), is made and entered into as of the 16th day of July, 2003, by and among the Epstein Family Trust under restated declaration of trust dated October 15, 2001 (the "**Epstein Trust**"), CMR, INC., a California corporation ("**CMR**", and collectively with the Epstein Trust, "**Assignors**"), and MARINA GP, LLC, a Delaware limited liability company ("**Assignee**"), with reference to the following facts and circumstances:

RECITALS

A. Marina Pacific Associates, L.P., a California limited partnership (the "**Partnership**"), was formed pursuant to the terms of that certain Amended and Restated Agreement of Limited Partnership of Marina Pacific Associates, dated as of September 25, 1996, by and among the Epstein Trust and CMR, as the general partners, and the Epstein Trust, the Ellis Ring Trust, as amended and restated on May 15, 1995, the Frances Ring Trust dated November 26, 1988, the Ellis and Frances Ring 1984 Trust, James H. Ring, Suzanne Caplan, Jacqueline Morgen and the Estate of Ellis Ring, Deceased, as the limited partners (the "**Partnership Agreement**"). Any initially capitalized terms not otherwise defined herein shall have the meaning given such terms in the Partnership Agreement.

B. The Partnership is the lessee under that certain Lease No. 7073 dated June 28, 1963, as amended (the "Parcel 111 Lease") pursuant to which the County of Los Angeles, as lessor, leases the Partnership certain real property in the Marina del Rey Small Craft Harbor commonly know as Parcel No. 111T.

C. The Partnership is the lessee under that certain Lease No. 14910 dated June 10, 1969, as amended (the "Parcel 112 Lease") pursuant to which the County of Los Angeles, as lessor, leases the Partnership certain real property in the Marina del Rey Small Craft Harbor commonly know as Parcel No. 112T.

D. Assignors desire to assign to Assignee, and Assignee desires to accept, the "Assigned Interests" (as defined below), on the terms and conditions contained in this Assignment.

ASSIGNMENT

NOW, THEREFORE, in consideration of the respective undertakings of the parties hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged:

1. **Assignment and Acceptance**. The Epstein Trust hereby grants, transfers, assigns and conveys to Assignee, and Assignee hereby accepts from the Epstein Trust, all of the Epstein Trust's rights, title and interests in and to the Partnership, including without limitation, the Epstein Trust's 1.20 % Distribution Percentage, the Epstein Trust's 1.20% Voting Percentage,

and all of the management rights, profits, losses, distributions and capital accounts of the Partnership attributable to the Epstein Trust's General Partnership Interest (collectively, the "**Epstein Trust Assigned Interest**"). CMR hereby grants, transfers, assigns and conveys to Assignee, and Assignee hereby accepts from CMR, all of CMR's rights, title and interests in and to the Partnership, including without limitation, CMR's 1.20% Distribution Percentage, CMR's 1.20% Voting Percentage, and all of the management rights, profits, losses, distributions and capital accounts of the Partnership attributable to CMR's General Partnership Interest (collectively, the "**CMR Assigned Interest**"). The Epstein Trust Assigned Interest and the CMR Assigned Interest are collectively referred to herein as the "**Assigned Interests**". Assignee agrees to be bound by the terms of the Partnership Agreement.

2. **Further Assurances**. The parties each agree to execute such other documents (including, without limitation, an amendment to the Partnership Agreement) and to perform such other acts as may be necessary or appropriate to carry out the provisions of this Assignment.

3. **Successors and Assigns**. This Assignment shall be binding upon, enforceable by, and shall inure to the benefit of the successors and assigns of each of the parties.

4. **Governing Law**. This Assignment shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

5. **Counterparts**. This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, and all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the parties have executed this Assignment as of the date first above written.

Epstein Trust:

JERRY B. EPSTEIN, Trustee of the Epstein Family Trust

PAT EPSTEIN, Trustee of the Epstein Family Trust

CMR:

CMR, INC., a California corporation

By: _____
Joseph A. Marasco, President

SIGNATURES CONTINUED ON NEXT PAGE

SIGNATURES CONTINUED FROM PREVIOUS PAGE

Assignee:

MARINA GP, LLC, a Delaware limited liability company

By: MPALP, L.P., a California limited partnership, its sole member

By: CMR, Inc., a California corporation, its general partner

By: _____
Joseph A. Marasco

By: _____
Jerry B. Epstein, Trustee of the Epstein Family Trust under restated declaration of trust dated October 15, 2001, its general partner

By: _____
Pat Epstein, Trustee of the Epstein Family Trust under restated declaration of trust dated October 15, 2001, its general partner

EXISTING STRUCTURE

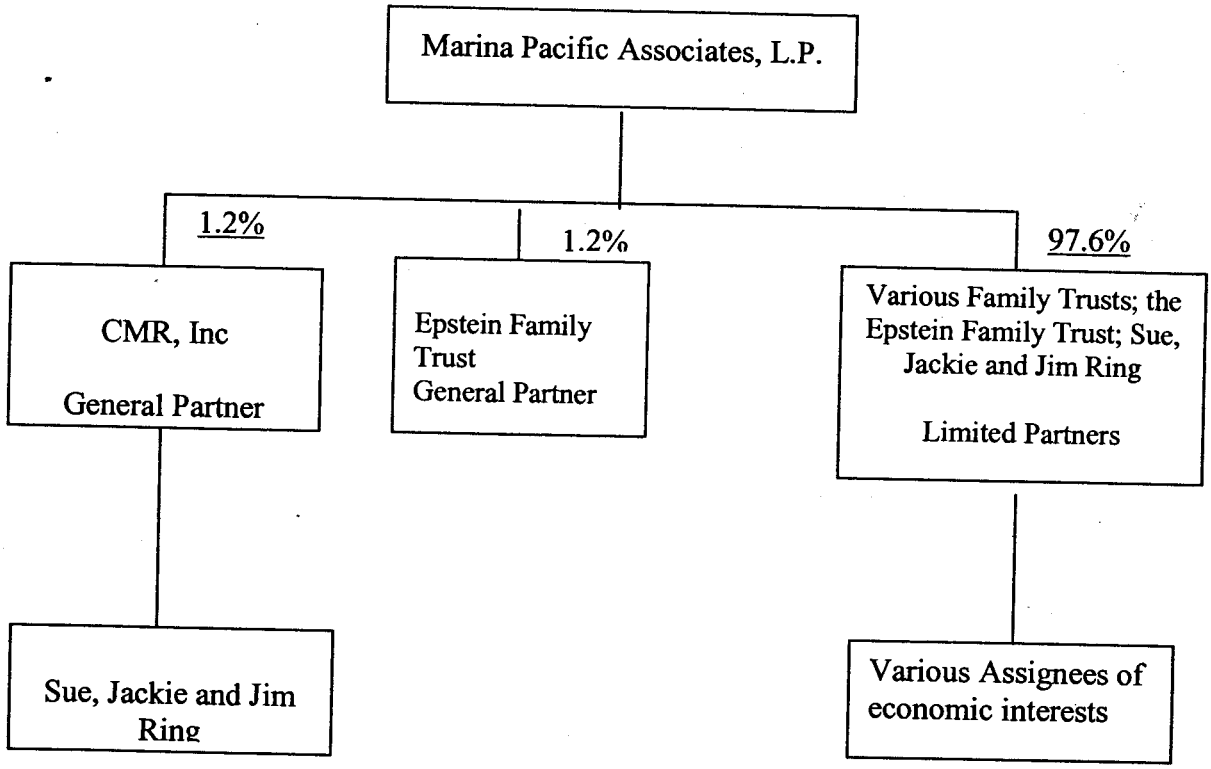
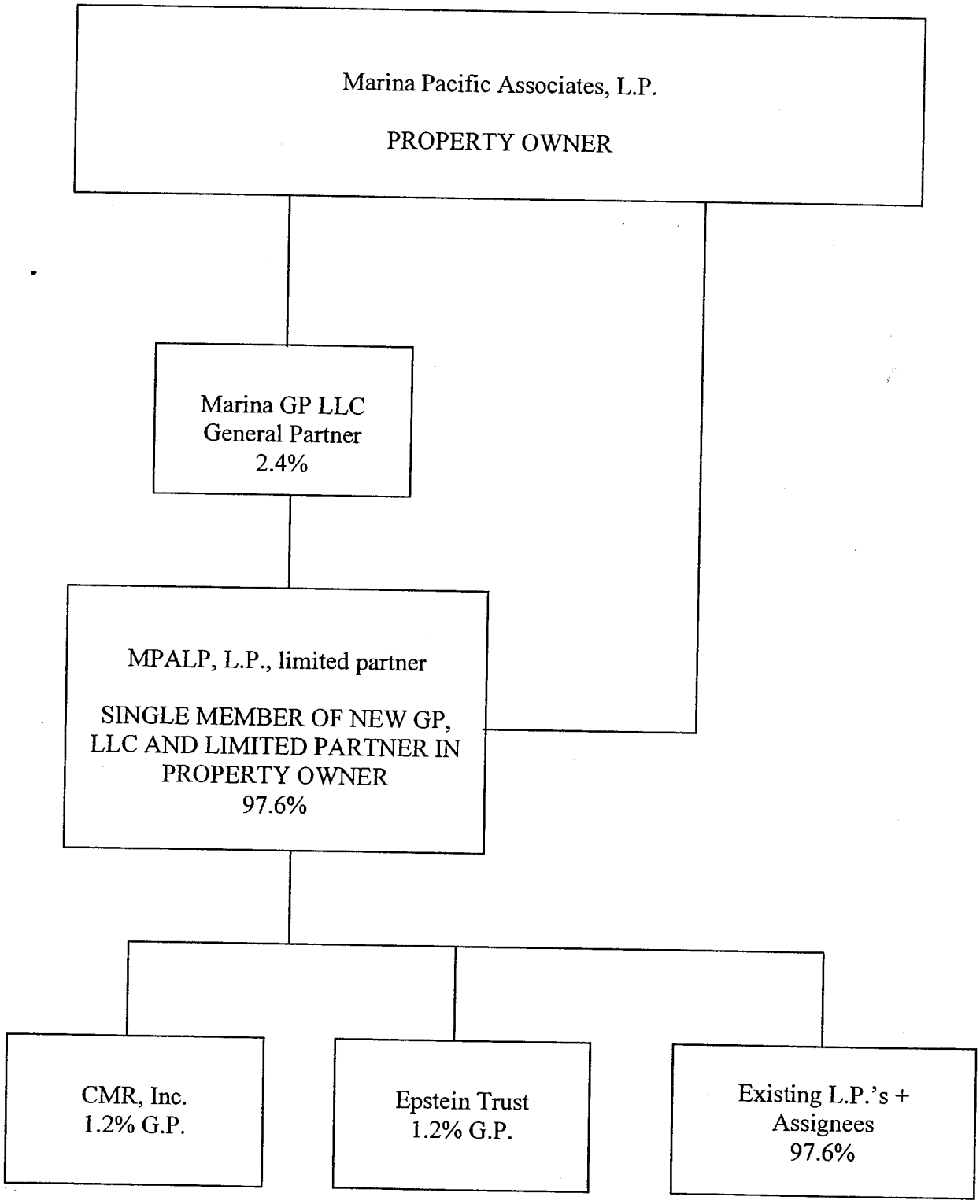


EXHIBIT 4

PROPOSED STRUCTURE



8/20/03

EXHIBIT 5

AMENDED AND RESTATED LEASE AGREEMENT

by and between

County of Los Angeles

and

Marina Pacific Associates

(Parcels 111T and 112T — Lease No. ____)

Dated as of _____, ____

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AMENDED AND RESTATED LEASE AGREEMENT
PARCELS 111T AND 112T — MARINA DEL REY

THIS AMENDED AND RESTATED LEASE AGREEMENT ("Lease") is made and entered into as of the _____ day of _____, ____ ("Effective Date"), by and between the COUNTY OF LOS ANGELES ("County"), as lessor, and MARINA PACIFIC ASSOCIATES, a California limited partnership (together with its permitted successors and assigns, "Lessee"), as lessee.

WITNESSETH

WHEREAS, the parties hereto or their predecessors in interest, entered into Lease No. 7073 dated June 28, 1963 (as amended prior hereto, the "Existing Parcel 111T Lease") whereby Lessee leases from County that certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel No. 111T and which is more specifically described as Parcel 111T on Exhibit A attached hereto and incorporated herein by this reference (the "Parcel 111T Premises"), the term of which commenced as of April 1, 1963 and currently extends through March 31, 2023 (the "Existing Expiration Date"); and

WHEREAS, the parties hereto or their predecessors in interest, entered into Lease No. 14910 dated June 10, 1969 (as amended prior hereto, the "Existing Parcel 112T Lease") whereby Lessee leases from County that certain real property in the Marina del Rey Small Craft Harbor commonly known as Parcel No. 112T and which is more specifically described as Parcel 112T on Exhibit A attached hereto and incorporated herein by this reference (the "Parcel 112T Premises"), the term of which also currently extends through the Existing Expiration Date; and

WHEREAS, prior to the execution and delivery of Lease No. 14910, the Parcel 112T Premises was included as a part of Lease No. 7073; in connection with the execution of Lease No. 14910 the Parcel 112T Premises was removed from Lease No. 7073, and since that date the Parcel 111T Premises and Parcel 112T Premises have been leased pursuant to separate leases; and

WHEREAS, County and Lessee have entered into that certain Option to Amend Lease Agreements dated _____, 2001 (the "Option Agreement"), pursuant to which County has granted Lessee an option (the "Option") to amend and restate the Existing Parcel 111T Lease and the Existing Parcel 112T Lease in their entirety, upon the terms and conditions more specifically provided herein, including, without limitation, a recombination of the Parcel 111T Premises and the Parcel 112T Premises under one fully amended and restated lease and an extension of the term of such lease through March 31, 2062; and

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

NOW, THEREFORE, in reliance on the foregoing and in consideration of the mutual covenants, agreements and conditions set forth herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and each of them do agree that the Existing Parcel 111T Lease and the Existing Parcel 112T Lease are hereby amended and restated in full as one single lease, as follows:

1. BACKGROUND AND GENERAL.

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

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

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

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

1.1.4 "ADDITIONAL RENOVATION WORK" shall have the meaning set forth in subsection 5.2.3.

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

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

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

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

1.1.9 "ANNUAL RENT" shall have the meaning set forth in subsection 2.3.1.5.

1.1.10 "APARTMENT RENOVATION PLAN" shall have the meaning set forth in subsection 5.2.1.

1.1.11 "APARTMENT RENOVATION WORK" shall have the meaning set forth in subsection 5.2.1.

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

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

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

1.1.15 "APPROVED GOVERNMENTAL CHANGES" shall have the meaning set forth in Section 4.3.1 of the Option Agreement.

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

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

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

1.1.19 "BASE RENT AMOUNT" shall have the meaning set forth in Section 4.3.

1.1.20 "BASE VALUE" shall have the meaning set forth in subsection 4.8.1.1.

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

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

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

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

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

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

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

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

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

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

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

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

1.1.33 "COUNTY AMOUNT" shall have the meaning set forth in subsection 2.3.1.1.

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

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

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

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

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

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

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

1.1.41 "DEFERRED RENTAL AMOUNTS" shall have the meaning set forth in Section 4.3.

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

1.1.43 "DIRECTOR" shall mean the Director of the Department of Beaches and Harbors of the County of Los Angeles or any successor County officer responsible for the administration of this Lease.

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

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

1.1.46 "EARN BACK PERIOD" shall have the meaning set forth in Section 2.3 below.

1.1.47 "EFFECTIVE DATE" shall mean the date set forth in the first preamble paragraph of this Lease.

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

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

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

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

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

1.1.53 "EXISTING APARTMENTS" shall have the meaning set forth in subsection 5.2.1.

1.1.54 "EXISTING EXPIRATION DATE" shall have the meaning set forth in the preamble to this Lease.

1.1.55 "EXISTING LEASES" shall mean the Existing Parcel 111T Lease and the Existing Parcel 112T Lease.

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

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

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

1.1.59 "EXTENSION FEE CREDIT DATES" shall have the meaning set forth in subsection 2.3.1.4.

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

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

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

1.1.63 "FAMILY MEMBERS" shall have the meaning set forth in Section 11.4.

1.1.64 "FINAL ALTERATION PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 5.3.3.

1.1.65 "FINAL REDEVELOPMENT WORK PLANS AND SPECIFICATIONS" shall have the meaning set forth in subsection 5.1.1.

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

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

1.1.68 "FORCE MAJEURE" shall have the meaning set forth in Section 5.6.

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

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

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

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

1.1.73 "IMPUTED RENT" shall have the meaning set forth in subsection 5.2.6.

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

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

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

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

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

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

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

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

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

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

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

1.1.85 "MINIMUM STANDARDS" shall have the meaning set forth in subsection 5.2.4.

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

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

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

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

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

1.1.91 "NEW APARTMENTS" shall have the meaning set forth in Section 5.1.

1.1.92 "NOTICE OF COMPLETION" shall have the meaning set forth in subsection 5.8.7.

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

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

1.1.95 "PAYMENT BOND" shall have the meaning set forth in subsection 5.4.3.2.

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

1.1.97 "PERFORMANCE BOND" shall have the meaning set forth in subsection 5.4.3.1.

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

1.1.99 "PREMISES" shall mean the Parcel 111T Premises and the Parcel 112T Premises.

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

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

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

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

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

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

1.1.106 "RENOVATION FUND" shall have the meaning set forth in subsection 5.2.5.

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

1.1.108 "REQUIRED CONSTRUCTION COMMENCEMENT DATE" shall have the meaning set forth in Section 5.1.

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

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

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

1.1.112 "SEAWALL" shall have the meaning set forth in Section 10.4.

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

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

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

1.1.116 "STATE" shall mean the State of California.

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

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

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

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

1.1.121 "SUBSTANTIAL COMMENCEMENT OF CONSTRUCTION" shall have the meaning set forth in Section 5.1.

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

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

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

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

1.1.126 "TRIGGER DATE" shall have the meaning set forth in Section 2.2.

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

1.1.128 "UNREASONABLE COUNTY ACT" shall have the meaning set forth in subsection 5.7.2.

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

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

1.2.1 As-Is. Lessee acknowledges that (1) it is currently in possession of the Premises, (2) Lessee or its predecessors-in-interest have continuously occupied and/or managed and operated the Premises since 1963, and (3) the Improvements now existing on the Premises were constructed by Lessee or its predecessors with contractors selected by them. Except as provided in subsection 1.2.2, Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the Effective Date and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS WITH ALL FAULTS". Lessee hereby accepts the Premises on an "AS IS WITH ALL FAULTS" basis and, except as expressly set forth in this Lease, Lessee is not relying on any representation or warranty of any kind whatsoever, express or implied, from County or any other governmental authority or public agency, or their respective agents or employees, as to any matters concerning the Premises and/or any Improvements located thereon, including without limitation: (i) the quality, nature, adequacy and physical condition and aspects of the Premises and/or any Improvements located thereon, including, but not limited to, the structural elements, foundation, roof, protections against ocean damage, erosion, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage and utility systems, facilities and appliances, and the square footage of the land and within the Improvements and within each space therein, (ii) the quality, nature, adequacy and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises and/or any Improvements located thereon, (iv) the development potential of the Premises, and the use, habitability, merchantability or fitness, or the suitability, value or adequacy of the Premises and/or any Improvements located thereon for any particular purpose, (v) the zoning or other legal status or entitlement or lack thereof of the Premises or any other public or private restrictions on use of the Premises, (vi) the compliance of the Premises and/or any Improvements located thereon with any applicable codes, laws, rules, regulations, statutes, resolutions, ordinances, covenants, conditions and restrictions of County, City, State, the United States of America, the California Coastal Commission and/or any other governmental or quasi-governmental entity ("Applicable Laws") or of

any other person or entity (including, without limitation, relevant provisions of the Americans with Disabilities Act ("ADA"), (vii) the presence of any underground storage tank or hazardous materials on, under or about the Premises or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any Improvements, (ix) subject to subsection 1.2.2 below, the condition of title to the Premises, and (x) the economics of the operation of the Premises and/or any Improvements located thereon. Notwithstanding the foregoing, this subsection 1.2.1 shall not alter the parties' rights and obligations under the Existing Lease with respect to any abandoned wells or other environmental conditions existing on the Premises as of the Effective Date.

1.2.2 Title. County represents that County owns fee title to the Premises and that County has authority to enter into this Lease. Lessee hereby acknowledges the title of County in and to the Premises, and covenants and agrees never to contest or challenge the extent of said title, except as is necessary to ensure that Lessee may occupy the Premises pursuant to the terms and conditions of this Lease.

1.2.3 Excluded Conditions. Notwithstanding anything to the contrary set forth herein, the terms and provisions of subsection 1.2.1 shall not be applicable to any sewer, storm drain or other improvements which have been dedicated to (and such dedication has been accepted by) the Department of Public Works of the County ("Excluded Conditions"); provided, however, that this Lease (as opposed to any separate dedication acceptance or other contractual or legal obligation) shall not create any obligation or liability on the part of County with respect to such sewer, storm drain and other improvements.

2. TERM.

2.1 Term. Unless terminated sooner in accordance with the provisions of this Lease, the term of this Lease shall be for the period commencing on April 1, 1963 and expiring at 11:59 p.m. on March 31, 2062 ("Term"). Each twelve (12) month period during the Term from April 1 through March 31 of the succeeding calendar year is referred to herein as a "Lease Year."

2.2 Extension Payments. In consideration for County's agreement to enter into this Lease, Lessee shall pay to County as hereinafter provided the principal sum of Three Million Two Hundred Fifty Thousand Dollars ($3,250,000.00) (the "Extension Fee"). Lessee has paid County the first Three Hundred Twenty Five Thousand Dollars ($325,000.00) of the Extension Fee (the "Extension Fee Downpayment") concurrent with its exercise of the Option. The remaining Extension Fee balance of Two Million Nine Hundred Twenty Five Thousand Dollars ($2,925,000.00) shall bear interest from the Effective Date until the date of payment at an annual rate, compounded annually, equal to the greater of (a) the County Pool Rate, or (b) seven and one-half percent (7.5%) (the greater of (a) or (b) is referred to herein as the "Extension Fee Interest Rate"). Until the Trigger Date (as defined below), Lessee shall make annual payments on each successive anniversary of the Effective Date, each in an amount of One Hundred Fifty Thousand Dollars ($150,000) (each, an "Extension Payment"). Each Extension Payment shall be applied against accrued interest on the outstanding principal balance of the Extension Fee. The amount by which the accrued interest for any year exceeds the Extension Payment shall be added

to the outstanding unpaid principal balance of the Extension Fee. The entire outstanding unpaid principal balance of the Extension Fee and all accrued and unpaid interest shall be due and payable on the Trigger Date. The "Trigger Date" shall mean the earlier of (i) March 11, 2013, (ii) the occurrence of a Financing Event, (iii) the occurrence of an assignment by Lessee of its interest in the Lease, (iv) the grant by Lessee of a Major Sublease, or (v) the occurrence of a Change of Control of Lessee. The unpaid balance of the Extension Fee (including accrued interest thereon), may be prepaid by Lessee, in whole or in part, at any time. Any uncured failure by Lessee to make an Extension Payment or to repay the entire unpaid Extension Fee and accrued interest on or before the Trigger Date is acknowledged to be a monetary default of the terms and conditions of this Lease and shall give rise to County's remedies as set forth herein, including without limitation County's right to receive a Late Fee in connection with such late payment and/or County's right to terminate this Lease. Upon the occurrence of an Event of Default, County shall have the right to declare the entire remaining unpaid Extension Fee (including accrued, but unpaid interest) immediately due and payable. Notwithstanding the foregoing, if the Trigger Date is the date set forth in clause (i) above and Lessee is unable to pay the remaining balance of the Extension Fee by the Trigger Date due to a delay in the close of Lessee's refinancing of the Existing Financing, then (1) if, and to the extent that, the delay in the close of such refinancing is caused by County's failure to notify Lessee within the time period set forth in Section 12.1 below as to whether County approves such refinancing, then the date by which the final Extension Fee payment must be paid by Lessee to avoid the imposition of a Late Fee shall be extended by the period of such delay caused by County, and (2) Director shall have the right, but not the obligation, to waive (or grant Lessee a grace period with respect to) the Late Fee, if the Director, in the exercise of its sole and absolute discretion, considers it appropriate to do so taking into consideration the circumstances.

2.3 Extension Fee Credits. Subject to and upon the terms and conditions set forth in this Section 2.3, Lessee may receive credits during the eight (8) year period following the Completion Date (the "Earn Back Period") for up to the amount, if any, by which the Total Paid Rent (as defined below) with respect to the Earn Back Period exceeds the sum of (i) the Threshold Rent (as defined below) with respect to the Earn Back Period, plus (ii) the County Amount.

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

2.3.1.1 "County Amount" shall mean $250,000 plus interest on such $250,000 at the Extension Fee Interest Rate (as defined in Section 2.2 above). For purposes of the accrual of such interest, (i) interest shall commence to accrue on the Effective Date, (ii) interest shall continue to accrue on the entire $250,000 until the first date that the Cumulative Extension Fee Credit would exceed $0 if such Cumulative Extension Fee Credit was calculated without any consideration of the County Amount, and (iii) interest shall thereafter continue to accrue on unapplied portions of the $250,000 until the first date that the amount of the Cumulative Extension Fee Credit, if calculated without any consideration of the County Amount, would exceed the County Amount.

2.3.1.2 "Cumulative Extension Fee Credit" shall mean the positive amount, if any, as of an Extension Fee Credit Date, by which (i) the Total Paid Rent with respect to the period from the Completion Date through such Extension Fee Credit Date exceeds (ii) the sum of (I) the Threshold Rent with respect to the period from the Completion Date through such Extension Fee Credit Date, plus (II) the County Amount. Notwithstanding the foregoing, the Cumulative Extension Fee Credit shall never exceed One Million Three Hundred Seventy Five Thousand Dollars ($1,375,000.00) (the "Credit Limit").

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

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

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

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

2.3.1.4 "Extension Fee Credit Date" shall mean each of the first eight (8) anniversaries after the Completion Date.

2.3.1.5 "Threshold Rent" with respect to a period shall mean the cumulative, aggregate Annual Rent (consisting of the Annual Minimum Rent plus the Percentage Rent payable in excess of the Annual Minimum Rent, hereinafter, the "Annual Rent") which would have been payable with respect to such period if the aggregate Annual Rent for each year during such period was established to equal the product of (i) the total Annual Rent payable under this Lease for calendar year 1998, adjusted on a yearly basis on each anniversary of the Completion Date, by the percentage change in the Consumer Price Index from December, 1998 to the last month in each such year, multiplied by (ii) 1.3.

2.3.1.6 "Total Paid Rent" with respect to a period shall mean the cumulative, aggregate Annual Rent actually paid by Lessee under this Lease with respect to such period, including (i) any such rent against which Lessee applies an Extension Fee Credit under this Section 2.3, and (ii) any Annual Rent

with respect to such period that is deferred as a Deferred Rental Amount pursuant to Section 4.3 below.

2.3.2 Application of Extension Fee Credits. Lessee shall be entitled to the Extension Fee Credit, if any, applicable as of each Extension Fee Credit Date. The Extension Fee Credit to which Lessee is entitled as of an Extension Fee Credit Date shall be applied as a credit against the next Annual Minimum Rent or Percentage Rent payable under this Lease; provided that in no event shall such rent credit, in combination with the aggregate of all other rent credits applied pursuant to this Section 2.3 for previous Extension Fee Credit Dates, exceed the aggregate principal amounts (including the Extension Fee Down Payment and any other Extension Fee principal payments, but not including any Extension Payments applied against accrued interest) of the Extension Fee then paid to date by Lessee pursuant to Section 2.2 above. Any amount of an Extension Fee Credit to which Lessee is entitled which Lessee is not permitted to apply as a rent credit due to the proviso in the immediately preceding sentence shall, at the election of Lessee made by written notice to County concurrent with the calculation of such Extension Fee Credit, only be either (i) applied as a credit against the next Extension Payment due under Section 2.2 above, or (ii) applied to reduce the then outstanding total unpaid principal balance of the Extension Fee described in Section 2.2. If as of the last Extension Fee Credit Date, the aggregate of all Extension Fee Credits (whether taken as rent credits, Extension Payment credits or Extension Fee principal reductions) for all previous Extension Fee Credit Dates exceeds the Cumulative Extension Fee Credit for such last Extension Fee Credit Date, then Lessee shall pay such excess to County within ten (10) days following the calculation of the Cumulative Extension Fee Credit for such last Extension Fee Credit Date. The Cumulative Extension Fee Credit and Extension Fee Credit, if any, for each Extension Fee Credit Date shall be calculated concurrently with the calculation of the Percentage Rent payment due for the month during which each such Extension Fee Credit Date occurs.

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

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

2.5.1 County's Election to Receive Improvements. At the election of County, all structures, buildings, Improvements and all alterations, additions, and betterments thereto, and all other Improvements made to or upon the Premises shall remain upon and be surrendered with the Premises as part thereof and title thereto shall vest in County without compensation therefor to Lessee. Nothing contained herein shall be construed to deny or abrogate the right of Lessee, prior to the expiration of the Term or termination of this Lease, to receive any and all proceeds which are attributable to the Condemnation of business installations, Improvements, structures and buildings belonging to Lessee immediately prior to the taking of possession by the Condemnor as

said rights are set forth in Article 6 of this Lease, or to remove any furniture or equipment not intended to be permanently affixed to, or reasonably necessary for the operation of, the Premises, any signage identifying Lessee (as opposed to other signage used in the operation of the Premises and associated Improvements), or any personal property, upon the expiration of the Term or earlier termination of this Lease or at any time during the Term, subject to Lessee's obligations under this Lease to use the Premises for the Permitted Uses.

2.5.2 Duty to Remove. No earlier than eleven (11) years, and no later than ten (10) years prior to the expiration of the Term, Lessee shall deliver to County a report prepared by a construction and demolition expert approved by County, such approval not to be unreasonably withheld or delayed, which report details and estimates the cost of removing all Improvements on the Premises at the expiration of the Term. County may give written notice (the "County Removal Notice") at any time, no later than five (5) years prior to the expiration of the Term or concurrently upon any earlier termination, of County's election to require Lessee to remove, at the sole cost and expense of Lessee, not later than the expiration of the Term or earlier termination of this Lease, all or any portion of the at grade, above grade and below grade structures, buildings and Improvements of any kind whatsoever placed or maintained on the Premises, whether placed thereon or maintained by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings; and if such structures are required to be removed by Lessee, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps. If County elects to require Lessee to remove Improvements hereunder pursuant to the County Removal Notice, Lessee shall, no later than the date which is thirty (30) days after Lessee's receipt of the County Removal Notice, provide County with a written plan which sets forth Lessee's proposed method of securing the discharge of Lessee's removal and restoration obligations pursuant to this subsection. Such security plan shall detail (i) the form of security proposed by Lessee, which security shall be either a deposit of funds, or a letter of credit, bond or other form of security in form and amount, and from an issuer, satisfactory to County, and (ii) a schedule satisfactory to County for the delivery by Lessee of the security described in clause (i) above, which schedule shall in all events provide for a full funding of the security not later than two (2) years prior to the expiration of the Term. The amount of the deposit or letter of credit, bond or other security shall be no less than the estimated costs to remove the Improvements set forth in the report described above, adjusted annually to reflect the increase or decrease, if any, in the ENR Index over the ENR Index as of the date of cost estimation set forth in such expert report; provided, however, that in no event shall such adjustment result in a deposit or letter of credit, bond or other security of an amount less than that set forth in the expert report. Any uncured failure by Lessee to deliver the removal and restoration security described in this subsection 2.5.2 shall constitute an Event of Default. If County fails to elect to require Lessee to remove the buildings, structures and Improvements on the Premises as provided above, then upon the expiration of the Term, or earlier termination of the Lease, Lessee shall turn over the Premises to County in good and workmanlike condition,

consistent with the condition of other buildings, structures and Improvements of comparable age and construction quality.

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

2.5.4 Duty to Remove Equipment, Etc. No later than the expiration of the Term or sooner termination of this Lease, Lessee shall in any event remove at its cost and expense such furniture, equipment and personal property as are not firmly affixed to said structures, buildings and Improvements or reasonably necessary for the orderly operation of the Premises. Should Lessee fail to so remove said furniture, equipment and personal property within said period, and said failure continues for ~~ten~~thirty (~~10~~30) days after written notice from County to Lessee, Lessee shall lose all right, title and interest in and thereto, and County may elect to keep the same upon the Premises or to sell, remove, or demolish the same, in event of which sale, removal, or demolition Lessee shall reimburse County for its Actual Costs incurred in connection with such sale, removal or demolition in excess of any consideration received by County as a result of said sale, removal or demolition.

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

3. USE OF PREMISES.

3.1 Specific Primary Use. The Premises shall be used by Lessee for the operation and management of (i) a luxury residential apartment project, (ii) boat anchorage facilities, including transient boat accommodations and liveaboards, and (iii) such other related and incidental uses as are specifically approved by County (collectively, the foregoing shall be referred to herein as the "Permitted Uses"). Except as specifically provided herein, the Premises shall be used for no other purpose without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 Prohibited Uses. Notwithstanding the foregoing:

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

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

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

3.2.2.2 The Premises shall not be used or developed in any way in a manner inconsistent with the Permitted Uses. Without limiting the foregoing, no part of the Premises shall be used by any person for any adult entertainment purposes, as such term refers to graphic, explicit and/or obscene depictions of sexual activity;

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

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

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

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

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

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

3.3 Active Public Use. The parties acknowledge that the ultimate objective of this Lease is the complete and continuous use of the facilities and amenities located in Marina del Rey by and for the benefit of the public, without discrimination as to race, gender or religion, along with the generation and realization of revenue therefrom. Accordingly, Lessee agrees and covenants that it will operate the Premises fully and continuously in light of these objectives, consistent with the operation of luxury residential apartment and boat anchorage facilities, and that it will use commercially reasonable efforts so that County may obtain maximum revenue therefrom as contemplated by this Lease. In the event of any dispute or controversy relating hereto, this Lease shall be construed with due regard to the aforementioned objectives.

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

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

monument, awning or advertising sign. Director shall not unreasonably withhold its approval of the matters described in this Section 3.5. Any dispute as to whether Director has unreasonably withheld its approval of a matter described in this Section 3.5 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.6 Compliance with Regulations. Lessee shall comply with all Applicable Laws and shall pay for and maintain any and all licenses and permits related to or affecting the use, operation, maintenance, repair or improvement of the Premises. Without limitation of the foregoing, Lessee shall comply with (i) all conditions and requirements of Coastal Development Permit Nos. A-5-MDR-00-472 and , which conditions and requirements are attached to this Lease as Exhibit L and incorporated herein by this reference, (ii) all public access requirements of the Marina del Rey Local Coastal Program, as amended, and (iii) the conditions and requirements of any Coastal Development Permit issued in connection with the Anchorage Facilities replacement work described in subsection 5.2.4 of this Lease. During the Term Lessee shall also comply with the Senior Affordable Housing Covenant executed by Lessee on or about the Effective Date pursuant to Section 9 of the Option Agreement, as such covenant may be modified in accordance with the terms and provisions of such Section 9.

3.7 Rules and Regulations. Lessee agrees to comply with such other reasonable rules and regulations governing the use and occupancy of the Premises as may be promulgated by County from time to time for general applicability on a non-discriminatory basis to other residential apartment and/or boat anchorage facilities in Marina del Rey, and delivered in writing to Lessee. Any dispute as to whether County has acted unreasonably in connection with the matters described in this Section 3.7 shall be submitted to arbitration pursuant to Article 16 of this Lease.

3.8 Reservations. Lessee expressly agrees that this Lease and all rights hereunder shall be subject to all prior encumbrances, reservations, licenses, easements and rights of way existing as of the dates of the respective Existing Leases or otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, and also subject to any other encumbrances, reservations, licenses, easements and rights of way consented to by Lessee.

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

County and Lessee expressly acknowledge that the Premises is leased by County to Lessee subject to certain reservations by the County set forth in the legal description to the Premises attached to this Lease as Exhibit A, including without limitation, reservations by the County of a right of way over the location of Bora Bora Way and easements or other rights of way for sewer line improvements (the "Bora Bora Way/Sewer Line Reservations"). Based upon Lessee's Preliminary Plans for the Redevelopment Work that have been approved by the County, portions of the Bora Bora Way/Sewer Line Reservations will need to be relocated to accommodate the Redevelopment Work. Such relocation shall be to the new locations for such improvements shown in the Final Redevelopment Work Plans and Specifications approved by the County. At such time as construction of Bora Bora Way and the sewer line is substantially completed and such improvements are ready for their intended uses at the new locations shown on the Final Redevelopment Plans and Specifications, County and Lessee shall execute an amendment to this Lease modifying Exhibit A to change the location of the Bora Bora Way/Sewer Line Reservations to the new locations of such improvements. The Director shall have the authority to execute such Lease amendment on behalf of County. Any such amendment shall bind all Encumbrance Holders of the Lessee's leasehold estate as of the date of this Lease who have consented to this Lease and any Encumbrance Holder of the Lessee's leasehold estate subsequent to the date of this Lease. Should any other easements or rights of way be required to be relocated due to any portion of the Redevelopment Work approved by County, such relocation shall be governed by this Section 3.8.

4. PAYMENTS TO COUNTY.

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

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

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

however, the entire expense of any such contest (including interest and penalties which may accrue in respect of such taxes) shall be the responsibility of Lessee.

The parties acknowledge that the Premises are and shall continue to be subject to possessory interest taxes, and that such taxes shall be paid by Lessee. This statement is intended to comply with Section 107.6 of the Revenue and Taxation Code. Lessee shall include a statement in all Subleases to the effect that the interests created therein may also be subject to possessory interest taxes, and that the Sublessee shall be responsible for any and all possessory interest taxes on the Sublessee's interest; however, Lessee acknowledges that the payment of such possessory interest taxes is the ultimate responsibility of Lessee.

4.2 Rental Payments. Throughout the Term, for the possession and use of the Premises granted herein, Lessee shall pay County a monthly amount equal to the greater of (a) Monthly Minimum Rent or (b) Percentage Rent.

4.2.1 Annual Minimum Rent and Monthly Minimum Rent. Lessee shall pay to County the minimum rent described in this subsection 4.2.1 (subject to adjustment pursuant to Sections 4.2.3 and 4.4 below) during each Lease Year of the Term (the "Annual Minimum Rent"). Annual Minimum Rent shall be payable by Lessee to County on a monthly basis in equal installments of one-twelfth (1/12th) of the Annual Minimum Rent (the "Monthly Minimum Rent"). During each Lease Year (or portion thereof) during the period from the Effective Date through the day preceding the third (3rd) anniversary of the Effective Date, the Annual Minimum Rent shall be equal to the product of (a) the average of the total Annual Rent payable by Lessee for the three (3) Lease Years preceding the Effective Date, multiplied by (b) .75. From and after the third (3rd) anniversary of the Effective Date, the Annual Minimum Rent shall be as set forth in Sections 4.2.3 and 4.4 below.

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

(a) TWENTY FIVE PERCENT (25%) of Gross Receipts or other fees for the rental or use of boat slips, anchorages, moorings, dockside storage space, and such other

facilities and services ancillary thereto as are generally provided in common to tenants thereof, including receipts obtained from persons who live on their boats;

(b) TWENTY PERCENT (20%) of Gross Receipts from the rental or other fees charged for the use of dry storage facilities, landside storage space, boats, motors, tackle, recreational equipment, tools, equipment, launch and retrieving of small boats and from the sale of live bait;

(c) TEN AND ONE-HALF PERCENT (10.5%) of Gross Receipts or other fees charged for (1) the occupancy of apartments, (2) the rental or use of meeting rooms, or (3) the rental or use of land and/or water or facilities for activities not otherwise provided for in this section, such as but not limited to television, motion pictures or other media filming purposes;

(c1) TEN PERCENT (10%) of Gross Receipts or other fees charged for the occupancy of (1) offices utilized for banking, financial or investment activities, internal clerical or administrative activities (other than Lessee's management office), business enterprises, real estate and insurance brokerage, legal, medical, engineering, travel agencies, yacht club purposes, or similar uses; or (2) restaurants, stores, shops, or other commercial establishments; provided that, except as provided in subsection 4.2.2.5, Gross Receipts or other fees charged for the occupancy of restaurants, stores, shops or other commercial establishments shall not be included in the calculation of Percentage Rent under this subsection (c1) if the Gross Receipts from the operation of such businesses are required to be reported under other subsections of this Section;

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

(e) The greater of (i) FIVE PERCENT (5%) of commissions or other fees earned from boat brokerage, car rental agencies, marine insurance commissions where the sale of insurance is conducted in conjunction with boat sales and/or boat brokerage, laundry and dry cleaning commissions and other similar activities where earnings are normally on a commission basis when said activity is approved in advance by Director, or (ii) $.15 per month per square foot of space occupied for the uses described in this subsection (e), including the square footage of any outdoor display area dedicated to such use;

(f) 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, including, without limitation, cable, internet, satellite, telecommunication, telephone and other utility services, and valet parking services;

(g) 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;

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

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

(j) THREE AND ONE-HALF PERCENT (3½%) of Gross Receipts from the operation of restaurants, restaurant/cocktail lounge combination, coffee shops, beach and theater food facilities, except that Gross Receipts from facilities established and operated as a take-out food operation shall be reported under subsection (s); a "take-out food operation" shall mean a restaurant or other food operation a majority of the Gross Receipts from which are derived from the sale of food or beverages to be consumed off-site;

(k) Intentionally omitted;

(l) Intentionally omitted;

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

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

(o) Intentionally omitted;

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

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

(r) TWENTY PERCENT (20%) of Gross Receipts from parking fees, except that (1) parking fees or charges, if any, which are collected in conjunction with an activity the Gross Receipts from which are required to be reported in a percentage

category higher than twenty percent (20%) shall be included in Percentage Rent at such higher percentage; and (2) valet parking charges, fees and tips shall not be included in Percentage Rent under this subsection, but instead shall be included in Percentage Rent under subsection (f) above;

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

(s1) FIVE PERCENT (5%) of the Gross Receipts from the operation of all stores, shops or boutiques selling items at retail; and,

(t) The specific percentages set forth above apply to those Permitted Uses of the Premises which are applicable as of the Effective Date. Where a specific percentage in the foregoing schedule has not been provided, then concurrent with County or Director's approval of a specific additional or related use, Director and Lessee shall negotiate in good faith with Lessee to establish the specific percentage to be applied to such use. Such percentage shall be the Fair Market Rental Value for such particular use. If after good faith negotiations for a thirty (30) day period the Director and Lessee are unable to agree on such Fair Market Rental Value, the determination of the appropriate percentage applicable to such use shall be submitted to arbitration pursuant to Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value. The percentage rent for the additional or related use as determined pursuant to this subsection (t) shall remain in effect until the next Renegotiation Date.

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

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

4.2.2.3 Gross Receipts. Except as herein otherwise provided, the term "Gross Receipts" as used in this Lease means all money, cash receipts, or other things of value, including but not limited to gross charges, sales, rentals, common area maintenance payments, operating expense reimbursements, fees and commissions made or earned by Lessee and/or all its assignees, Sublessees,

licensees, permittees or concessionaires, from any business, use, occupation or any combination thereof, originating, transacted, or performed in whole or in part, on the Premises, including but not limited to rentals, the rendering or supplying of services and the sale of goods, wares or merchandise, calculated in accordance with the accounting method described in the last sentence of Section 14.1.

(1) Except as otherwise set forth herein, there shall be no deduction from Gross Receipts for any overhead or cost or expense of operation, such as, without limitation, salaries, wages, costs of goods, interest, debt amortization, rent credit (but the value of any free rent period shall not be imputed as Gross Receipts), collection costs, discounts from credit card operations, insurance and taxes.

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

(3) Gross Receipts reported by Lessee and its Sublessees, assignees, licensees, Lessees and permittees must include the usual charges for any services, goods, rentals or facilities provided by Lessee or its Sublessees, assignees, licensees, concessionaires or permittees. Bona fide bad debts actually accrued by Lessee for amounts owed by subtenants, assignees, licensees concessionaires or permittees may be deducted from Gross Receipts to the extent that such amounts have been previously reported as Gross Receipts; however, there shall be no deduction for bad debts based on past experience or transfer to a bad debt reserve. Subsequent collection of bad debts previously not reported as Gross Receipts shall be included in Gross Receipts at the time they are collected.

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

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

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

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

d. receipts from insurance claims other than rental interruption or business interruption insurance related to the replacement of Gross Receipts;

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

f. the Cost of Lessee's subtenants' submetered electricity, provided (1) each subtenant's obligation to reimburse Lessee for such subtenant's electrical charges is separate and apart from such tenant's obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the subtenant's electricity; and, (3) the receipt is actually credited against the cost of the subtenant's electricity. For the purpose of the foregoing sentence, the "Cost" of the subtenant's electricity shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility's electric bill that is allocable to the subtenant based on such subtenant's submetered consumption of electricity, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced. County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease. The terms and provisions of this paragraph f shall also be applicable to other submetered utility charges to the extent that it is customary for subtenants to be responsible for such other utility charges.

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

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

Percentage Rent Payment in the final Lease Year of the Term, County shall refund such amount to Lessee within thirty (30) days of its discovery and verification of such overpayment.

4.2.2.5 Effect of Sublessee, etc. Doing Business. Except as specifically provided to the contrary in this Lease, where a sublessee, licensee, or permittee is conducting a business or engaged in any use or occupation or any combination thereof on Lessee's leasehold except for those uses or occupations delineated under Item (1) of subsection (c1) of subsection 4.2.2, Lessee shall report whichever of the following results in the greater percentage rental: (1) the Gross Receipts of each sublessee under one or more of the appropriate subsections of this Section; or (2) Lessee's receipts from each sublessee under subsection (c) or (c1) of this Section.

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

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

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

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

4.3 Deferral of Rent. During the period from the Effective Date through the Trigger Date (the "Deferral Period") Lessee shall be entitled to defer that portion (the "Deferred Rental Amounts") of the Annual Rent actually payable for each month (calculated after any reduction in Annual Rent taken in the form of abatements pursuant to Section 2.3 above) which exceeds the Base Rent Amount (as defined below) then in effect. For purposes of the administration of this Section 4.3 and Section 2.3 above, the amount of Annual Minimum Rent or Percentage Rent

credits to which Lessee is entitled under Section 2.3 shall be calculated first and subtracted from the Annual Rent payable under this Lease, and then such remaining Annual Rent shall be compared to the Base Rent Amount to determine whether any portion of such remaining Annual Rent is eligible for deferral pursuant to this Section 4.3. The "Base Rent Amount" shall mean (i) the total Annual Rent payable under this Lease for calendar year 1998, adjusted on an annual basis on January 1 of each year to reflect the percentage change in the Consumer Price Index from December, 1998 to the month of December immediately preceding each such January 1 adjustment date, divided by (ii) 12. All Deferred Rental Amounts shall not be required to be paid by Lessee on a current basis, but instead shall be due and payable on the Trigger Date, with interest, which interest shall accrue at the Prime Rate for the period from the date the Deferred Rental Amounts would have been due and payable but for the deferral described in this Section 4.3 and continuing until the date of actual payment. Deferred Rental Amounts shall initially be calculated on a monthly basis as described in this Section 4.3, but shall be reconciled on a calendar year basis (or on a partial calendar basis for any partial calendar years in the Deferral Period) such that the aggregate Annual Rent deferred as Deferred Rental Amounts for each such calendar year is the same amount as would have been deferred if the calculation of Deferred Rental Amounts for such year had been made on an annual basis. Any amounts deferred on a monthly basis in excess of the aggregate Deferred Rental Amounts calculated on an annual basis shall be paid by Lessee promptly upon the completion of such reconciliation, with interest at the Prime Rate, which interest shall be calculated based on the assumption that all excess deferrals would have been payable on an imputed payment date of July ~~1,~~1 of the relevant year, regardless of the actual month to which they may relate. The outstanding unpaid balance of the Deferred Rental Amounts may be prepaid by Lessee, in whole or in part, at any time. Notwithstanding any contrary provision of this Section 4.3, during any period during which an Event of Default remains uncured, all Annual Minimum Rent and Percentage Rent payable under Section 4.2 of this Lease shall be payable on a current basis and there shall be no deferral permitted under this Section 4.3. In addition, on the occurrence of an Event of Default, County shall have the right to declare the then outstanding balance of the Deferred Rental Amounts (including both principal and accrued interest) immediately due and payable.

4.4 Renegotiation of Annual Minimum and Percentage Rents. Effective on the twentieth (20th) anniversary of the date of the receipt of the certificate(s) of occupancy for at least fifty percent (50%) of the New Apartments, and each tenth (10th) anniversary thereafter (each a "Renegotiation Date" and collectively, the "Renegotiation Dates"), the Annual Minimum Rent and Percentage Rent shall be readjusted to the Fair Market Rental Value (as defined below) of the Premises.

4.4.1 Fair Market Rental Value. As used herein, "Fair Market Rental Value" shall mean, as of each Renegotiation Date, the fair market rent (including an annual minimum rent), expressed as respective percentages of Gross Receipts in accordance with the categories enumerated in subsection 4.2.2, which the Premises (with any and all Improvements existing thereon deemed to be owned by County as of the Renegotiation Date) would bring, on an absolute net basis, taking into account the Permitted Uses, all relevant and applicable County policies and all of the other terms, conditions and covenants contained in the Lease, if the Premises were exposed for lease for a reasonable time on an open and competitive market to a lessee for the purpose of the Permitted Uses, where County and the respective tenant are dealing at arms length and

neither is under abnormal pressure to consummate the transaction, together with all restrictions, franchise value, earning power and all other factors and data taken into account in accordance with California law applicable from time to time to eminent domain proceedings.

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

If Lessee fails to deliver the notice described in the first sentence of this subsection, setting forth Lessee's determination of Fair Market Rental Value, and such failure continues for fifteen (15) days after receipt of written notice from County, then County shall submit its determination of Fair Market Rental Value to Lessee, and Lessee shall have fifteen (15) days to deliver to County written notice of Lessee's agreement or disagreement with County's determination. If Lessee fails to deliver notice of such disagreement within such fifteen (15) day period and County's notice to Lessee conspicuously stated in bold faced type that such determination of Fair Market Rental Value shall be binding on Lessee unless Lessee delivers notice of its disagreement within such fifteen (15) day period, then County's determination of Fair Market Rental Value shall be binding on Lessee as of the Renegotiation Date.

4.4.3 Negotiation of Fair Market Rental Value. If County (or Lessee, as the case may be) does so notify Lessee (or County, as the case may be) of its disagreement as provided in subsection 4.4.2, County and Lessee shall have sixty (60) days from the end of the applicable response period in which to agree upon the Fair Market Rental Value for the Premises. County and Lessee shall negotiate in good faith during said sixty (60) day period. If the parties do so agree, they shall promptly execute an amendment to this Lease setting forth the Fair Market Rental Value so jointly determined, to be effective upon the Renegotiation Date. Director shall be authorized to execute any such amendment on behalf of County. During the period of negotiation, Lessee shall abide by

all of the terms and conditions of this Lease, including but not limited to the obligation to continue to pay to County Annual Minimum Rent and Percentage Rent at the then-existing levels.

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

4.4.5 Retroactivity. In the event that, pursuant to subsections 4.4.3 or 4.4.4 hereof, the parties execute an amendment to this Lease setting forth the Fair Market Rental Value and the Annual Minimum Rent, such amendment, if executed prior to the Renegotiation Date, shall be effective as of the Renegotiation Date; if executed after the Renegotiation Date, such amendment shall be retroactive to the Renegotiation Date. In the event that such amendment is executed after the Renegotiation Date, then, within seven (7) days after such execution, Lessee shall pay to County, or County shall at its election pay or credit to Lessee, the difference, if any, between (a) such Fair Market Rental Value for the Premises and (b) the actual Annual Minimum Rent and Percentage Rent paid by Lessee to County, for the period of time from the Renegotiation Date until the date of such payment. Lessee (with respect to overpayments) or County (with respect to underpayments) shall further be entitled to interest on each portion of such payment from each date on which the applicable rental payments were payable under this Lease to the date paid or credited, whichever is applicable, at the following rates:

(1) the interest rate applicable to the first six (6) months following the Renegotiation Date shall be equal to the average daily rate for the non-restricted funds held and invested by the Treasurer and Tax Collector of Los Angeles County during that period, computed by the Auditor-Controller ("County Pool Rate"); and,

(2) the interest rate applicable to any period of time in excess of six (6) months following the Renegotiation Date shall be the average prime rate of interest published in the Wall Street Journal (the "Prime Rate") plus one percent (1%) for the period between the date which is six (6) months after the Renegotiation Date and the date of payment.

4.5 Payment and Late Fees. Monthly Minimum Rent shall be paid by Lessee in advance. Payments of Minimum Monthly Rent shall be received by County on or before the first

day of each calendar month of the Term. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in subsection 4.2.2.4. Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand. In the event any payment hereunder is not received by County by the date due, Lessee acknowledges that County will experience additional management, administrative and other costs that are impracticable or extremely difficult to determine. Therefore, a fee ("Late Fee") of six percent (6%) of the unpaid amount shall be added to any amount unpaid when due and payable; provided that the Late Fee shall be waived with respect to the first occurrence during any Lease Year of a late payment if such payment is received by County within one (1) business day following written notice from County that the unpaid amount was not paid by the date due. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County); provided, however, with respect to any obligation of an Encumbrance Holder in connection with the exercise of its cure rights under Article 12 below, interest accrual on any particular obligation for periods prior to the Encumbrance Holder's acquisition of leasehold title to the Premises shall be limited to a maximum of three (3) years.

4.6 Changes of Ownership and Financing Events. Except as otherwise provided in this Section 4.6, each time Lessee proposes either (a) a Change of Ownership or (b) a Financing Event, County shall be paid (1) an Administrative Charge equal to the Actual Cost incurred by County in connection with its review and processing of said Change of Ownership or Financing Event ("Administrative Charge") and (2) a Net Proceeds Share, in the event County approves such proposed Change of Ownership or Financing Event and such transaction is consummated. "Net Proceeds Share" shall mean the applicable amount determined pursuant to Section 4.8 of this Lease. Changes of Ownership and Financing Events are further subject to County approval as provided in Articles 12 and 13 of this Lease.

4.6.1 Change of Ownership. "Change of Ownership" shall mean (a) any transfer by Lessee of a five percent (5%) or greater direct ownership interest in this Lease

or in any Major Sublease, (b) Lessee's granting of a Major Sublease or (c) any transaction or series of related transactions not described in subsections 4.6.1(a) or (b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial interests in, or a Change of Control of, Lessee, this Lease or a Major Sublease. For the purposes of this Lease, "Change of Control" shall refer to a transaction whereby the transferee acquires a beneficial interest in Lessee, this Lease or a Major Sublease which brings its cumulative beneficial interest in Lessee, this Lease or a Major Sublease, as appropriate, to over fifty percent (50%).

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

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

4.6.2.2 a transfer to a spouse in connection with a property settlement agreement or decree of dissolution of marriage or legal separation, as long as such transfer does not result in a change in the management of Lessee;

4.6.2.3 a transfer of ownership interests in Lessee or in constituent entities of Lessee (i) to a member of the immediate family of the transferor (which for purposes of this Lease shall be limited to the transferor's spouse, children, parents, siblings and grandchildren), (ii) to a trust for the benefit of a member of the immediate family of the transferor, or (iii) from such a trust to the settlor or beneficiaries of such trust or to one or more other trusts created by or for the benefit of any of the foregoing persons, whether any such transfer described in this subsection 4.6.2.3 is the result of gift, devise, intestate succession or operation of law; specifically, but without limitation of the foregoing, this subsection 4.6.2.3 shall include transfers of general partnership, limited partnership or limited ~~partnership~~liability company membership interests in Marina Pacific Associates, or any of its constituent entities, to or among the Family Members (as defined in Section 11.4 below);

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

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

4.6.2.6 any transfer resulting from a Condemnation by County.

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

4.6.4 Beneficial Interest. As used in this Lease, the "beneficial interest," "beneficial interest in this Lease," or "beneficial interest in a Major Sublease" shall refer to the interests of the natural persons who comprise the ultimate owner or owners of Lessee's interest in this Lease or a Major Sublease, or a Major Sublessee's interest in a Major Sublease, whichever is appropriate, regardless of the form of such ownership and regardless of whether such interests are owned through corporations, trusts, partnerships, limited liability companies or layers thereof (each a "constituent entity" as used herein); provided, however, that if an entity with an ownership interest in the Lease or a Major Sublease is a partnership, corporation or limited liability entity (a) whose beneficial interest in this Lease or a Major Sublease, whichever is appropriate, comprises less than fifteen percent (15%) of its total assets or (b) in which no ten (10) shareholders, partners or members together own more than thirty percent (30%) of the partnership interests, shares, membership interests or other equity interests in the entity, then for the purposes of Sections 4.6 through 4.8 hereof, the entity itself shall be deemed to be the ultimate owner of the beneficial interest in this Lease or a Major Sublease, as appropriate, and the owners of such entity shall not be treated as the ultimate owners of such beneficial interest.

4.6.4.1 Interests Held By Entities. Except as otherwise provided herein, an interest in Lessee, this Lease or a Major Sublease held or owned by a partnership, limited liability company, corporation or other entity shall be treated as owned by the partners, members, shareholders or other equity holders of such entity in proportion to their respective equity interests, determined by reference to the relative values of the interests of all partners, members,

shareholders or other equity holders in such entity. Where more than one layer of entities exists between Lessee or a Major Sublessee, as appropriate, and the ultimate owners, then the foregoing sentence shall be applied successively to each such entity in order to determine the ownership of the beneficial interests in Lessee, this Lease or a Major Sublease, as appropriate, and any transfers thereof.

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

4.7 Calculation and Payment. A deposit of Fifteen Thousand and 00/100 Dollars ($15,000) toward the Administrative Charge shall be due and payable upon Lessee's notification to County of the proposed Change of Ownership (that is not an Excluded Transfer) or Financing Event and request for County's approval thereof. If the transaction is approved, the balance of the Administrative Charge, if any, and the Net Proceeds Share shall be due and payable concurrently with the consummation of the transaction constituting the Change of Ownership or Financing Event giving rise to the obligation to pay such fee, regardless of whether or not money is transferred by the parties in connection with such consummation. If County disapproves the proposed transaction then, within thirty (30) days after notice of its disapproval, County shall deliver to Lessee a written notice setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge), together with a refund of the amount, if any, of the deposit in excess of the Administrative Charge otherwise allowable under Section 4.6. In the event that the Administrative Charge exceeds the deposit, then Lessee shall pay County the balance of the Administrative Charge otherwise allowable under Section 4.6 within thirty (30) days after receipt of the notice from County setting forth the Administrative Charge (including documentation in support of the calculation of the Administrative Charge) and any additional supporting documentation reasonably requested by Lessee within five (5) business days after its receipt of such notice. Together with its request for County approval of the proposed transaction, Lessee, a Major Sublessee or the holder of a beneficial interest in this Lease or a Major Sublease, whichever is appropriate, shall present to County its calculation of the Net Proceeds Share (if any) anticipated to be derived therefrom, which shall include the adjustment to Improvement Costs, if any, which may result from the payment of such Net Proceeds Share ("Calculation Notice"). Each Calculation Notice shall contain such detail as may be reasonably requested by County to verify the calculation of the Net Proceeds Share. Within thirty (30) days after the receipt of the Calculation Notice and all information or data reasonably necessary for County to verify the calculations within the Calculation Notice, County shall notify the party giving the Calculation Notice as to County's agreement or disagreement with the amount of the Net Proceeds Share set forth therein or the related adjustment of Improvement Costs, if any. Failure of County to approve the Calculation Notice in writing within such thirty (30) day period shall be deemed to constitute County's disapproval thereof. Failing mutual agreement within thirty (30) days after the expiration of said thirty (30) day period, the dispute shall be resolved by arbitration as set forth in Article 16 of this Lease in the manner prescribed herein for the resolution of disputes concerning Fair Market

Rental Value. In the event County approves a Change of Ownership or Financing Event but a dispute exists as to the Net Proceeds Share in respect thereof or the related adjustment, if any, in Improvement Costs, then the transaction may be consummated after County has disapproved Lessee's Calculation Notice; provided, however, that (i) Lessee shall remit to County as otherwise required hereunder the undisputed portion of the Net Proceeds Share and (ii) Lessee shall deposit the disputed portion of the Net Proceeds Share into an interest bearing escrow account at the closing of the transaction (or deliver to County a letter of credit or other security reasonably acceptable to County in the amount of the disputed portion), which disputed portion shall be distributed in accordance with the arbitration of the dispute pursuant to Article 16 of this Lease, in the manner prescribed herein for the resolution of disputes concerning Fair Market Rental Value.

4.7.1 Transfer of Less Than Entire Interest. Where a Change of Ownership has occurred by reason of the transfer of less than all of an owner's beneficial interest in Lessee, this Lease or a Major Sublease, the Net Proceeds Share shall be due and payable with respect to those portions of such beneficial interest that have been acquired by the transferee since the latest of (a) the Effective Date, (b) the most recent event creating Lessee's obligation to pay a Net Proceeds Share (including without limitation an approval by County of a transfer at a price which falls below the threshold for paying a Net Proceeds Share) with respect to this Lease (or a Major Sublease), or (c) the date which is twelve (12) months prior to the transfer which constitutes the Change of Ownership.

4.7.2 Purchase Money Notes. If the transferor of an interest accepts a note made by the transferee of such interest in payment of all or a portion of the acquisition cost (a "Purchase Money Note"), such note shall be valued at its face amount; provided that if the interest rate on such Purchase Money Note is in excess of a market rate, then the value of such note shall be increased to reflect such above-market rate. Any disputes between County and Lessee as to whether the interest rate on a Purchase Money Note is in excess of a market rate or with respect to the valuation of a Purchase Money Note with an above-market rate of interest, shall be settled by arbitration pursuant to Article 16 below.

4.7.3 Obligation to Pay Net Proceeds Share and Administrative Charge. With respect to a Change of Ownership giving rise to the Administrative Charge and Net Proceeds Share, the obligation to pay the Administrative Charge and Net Proceeds Share shall be the joint and several obligation of the transferor and transferee. In the event that the Administrative Charge or Net Proceeds Share is not paid when due with respect to the beneficial interest in this Lease, then County shall have the remedies set forth in Section 13.3 hereof; provided, however, in the case of a transfer of an interest in Lessee (as opposed to a transfer by Lessee of an interest in the Lease or the Premises) in which the transferor and transferee fail to pay the Administrative Charge and/or Net Proceeds Share due hereunder, as long as Lessee uses its best efforts to cause the payment of the required Administrative Charge and Net Proceeds Share to be made, County shall, for a period of up to three (3) years following the Change of Ownership, forebear from exercising any right to terminate the Lease as a result thereof; provided further that at the end of such three (3) year period County shall no longer have any obligation to forebear from terminating the Lease if the Administrative Charge and Net Proceeds Share, plus interest

as described below, has not been paid in full. An Administrative Charge and Net Proceeds Share not paid when due hereunder shall bear interest at the Prime Rate plus three percent (3%). For purposes of determining whether County is required to forebear from terminating the Lease as described above, Lessee's obligation to use its best efforts to cause the payment of the unpaid Administrative Charge and/or Net Proceeds Share shall include the obligation at Lessee's expense, to institute a legal action against the transferor and transferee within ninety (90) days following the date of the transfer and to diligently prosecute such legal action to completion.

~~4.8~~ 4.8 Net Proceeds Share. In the event of a Change of Ownership, the Net Proceeds Share shall be the amount by which (a) the greater of (i) five percent (5%) of the gross sale or transfer proceeds or other consideration given for the interests transferred (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred), or (ii) the sum of (x) twenty percent (20%) of the Net Transfer Proceeds from such transfer, plus (y) the Applicable Amount (as defined below), exceeds (b) the Administrative Charge paid by Lessee to County in connection with the transaction. With respect to a Financing Event, the Net Proceeds Share (if any) shall be the amount by which (I) twenty percent (20%) of the Net Refinancing Proceeds from such Financing Event exceeds (II) the Administrative Charge paid by Lessee to County in connection with the transaction.

For purposes of this Section 4.8, the "Applicable Amount" shall mean the following: (1) in the case of a transfer by Lessee under subsection 4.8.1, the Applicable Amount shall equal $1,400,000; (2) in the case of a transfer by Lessee under subsection 4.8.2, the Applicable Amount shall equal $0; (3) in the case of a transfer under subsection 4.8.3, the Applicable Amount shall equal the same Applicable Amount as with respect to whichever of subsection 4.8.1 or subsection 4.8.2 is applicable to such transfer; (4) in the case of a transfer under subsection 4.8.4, the Applicable Amount shall be the product of (A) $1,400,000, multiplied by (B) the percentage beneficial (direct or indirect) ownership interest in Lessee (or a Major Sublessee, as applicable) that is the subject of the transfer; provided, however, that following the first transfer by Lessee under subsection 4.8.1 and/or the aggregate transfer of a total of one hundred perecent (100%) of the beneficial ownership interest in Lessee under subsection 4.8.4, the Applicable Amount for a transfer under subsection 4.8.4 shall thereafter be $0.

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

~~4.8.1.1 **[Insert value of leasehold, as extended, as of the Effective Date, as determined prior to the execution and delivery of the Lease, either by agreement of the parties or, if the parties are unable to agree, pursuant to the**~~

~~arbitration procedures set forth in Article 16~~]4.8.1.1 (a) $109,000,000, representing the stipulated base amount for purposes of determining Net Transfer Proceeds (the "Base Value"), ~~together~~plus ~~with~~(b) the final actual construction costs paid by Lessee in connection with the construction of the Redevelopment Work, the renovation work described in subsections 5.2.1, 5.2.2, 5.2.3 and 5.2.4, other capital renovations to the Premises, or other physical Improvements or Alterations to the Premises in compliance with Article 5 herein, to the extent applicable (including all hard and soft costs, construction period interest on Lessee's construction loan, and developer fees incurred by Lessee, as long as such developer fees do not exceed four percent (4%) of hard construction costs), which costs have been submitted to County within thirty (30) days after the completion of such Improvements (or in the case of phased construction, within thirty (30) days after the completion of the applicable phase), together with a written certification from Lessee and Lessee's construction lender, if any, to the effect that such costs are accurate ("Improvement Costs"). Notwithstanding the foregoing, with respect to Improvements or Alterations which are not part of the Redevelopment Work, Lessee shall submit the cost of such Improvements on an annual basis within ninety (90) days following the end of each fiscal year.

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

~~4.8.1.3~~ 4.8.1.3 That portion of the principal amount of any Financing Event after the Effective Date that constituted Net Refinancing Proceeds on which Lessee paid County a Net Proceeds Share.

~~4.8.2~~ 4.8.2 Transfer by Lessee's Successor. In the case of a transfer by a Lessee other than the original Lessee, "Net Transfer Proceeds" shall mean the total cash and other consideration received by that successor Lessee (but in the case of a transfer to a party affiliated with or otherwise related to the transferor which constitutes a Change of Ownership that is not an Excluded Transfer, such consideration shall in no event be deemed to be less than the fair value of the interests transferred), minus the following costs with respect to such successor Lessee:

~~4.8.2.1~~ 4.8.2.1 The greatest of (a) the sum of the Base Value, plus Improvement Costs incurred subsequent to the Effective Date but prior to the acquisition of the leasehold interest by such successor, (b) the purchase price such successor paid to Lessee or such successor's seller for the interest acquired or (c) the original principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share (plus the principal amount of the Existing Financing as of the Effective Date if the Existing Financing has not been refinanced);

~~4.8.2.2~~ 4.8.2.2 Improvement Costs actually paid by such successor Lessee after such successor Lessee's acquisition of its leasehold interest in the Premises, and not subsequently repaid with Net Refinancing Proceeds, provided that such costs have been submitted to County, with an appropriate lender and Lessee certification, as provided in subsection 4.8.1.1; and,

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

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

~~4.8.4~~ 4.8.4 Other Transfers. With respect to any Change of Ownership that is not an Excluded Transfer and is not described in subsections 4.8.1 through 4.8.3 (i.e., a transfer of an interest in an entity holding a direct or indirect ownership interest in this Lease or in a Major Sublease), subsections 4.8.1 and 4.8.2 shall apply to such Change of Ownership, except that in lieu of deducting the Base Value and Improvement Costs in determining Net Transfer Proceeds, the cost to the transferor of the interest being transferred or which was transferred in the past but constitutes a portion of an Aggregate Transfer (which cost shall in no event be deemed to be less than a pro rata share of the Base Value and Improvement Costs (or following a transfer by the original Lessee, such cost shall in no event be deemed to be less than a prorata share of the sum of subsections 4.8.2.1 plus 4.8.2.2 as of the respective date of the transfer of each interest in the aggregation pool)) shall be deducted. Furthermore, in the event that any such Change of Ownership produces a Net Proceeds Share, the then existing Improvement Costs shall be increased by an appropriate amount to reflect the basis on which the Net Proceeds Share was calculated, and the basis of the interest that was transferred and for which a Net Proceeds Share was paid shall also be increased for subsequent transfers of the same interest, as if realized by Lessee upon a transfer of a comparable interest in this Lease or in a Major Sublease, as appropriate.

~~4.8.5~~ 4.8.5 Net Refinancing Proceeds. "Net Refinancing Proceeds" shall mean the gross principal amount of any Financing Event after the Effective Date plus the remaining principal amount of any Existing Financing, minus (i) the greatest of (a) the Base Value~~,~~ less $7,000,000, (b) the original principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share, plus the remaining principal amount of any Existing Financing not repaid upon the subsequent refinancing, or (c) in the case of a successor Lessee the purchase price such successor paid to Lessee or such successor's seller for the interest acquired, (ii) any portion of the proceeds of the Financing Event which shall be used for Improvement Costs, (iii) other Improvement Costs incurred by Lessee and not paid for or repaid with the proceeds of any Financing Event, and (iv) Documented Transaction Costs with respect to such Financing Event.

Notwithstanding any contrary provision of the first paragraph of Section 4.8 above, if Lessee pays to County Net Refinancing Proceeds in connection with a Financing Event, and the amount of such Net Refinancing Proceeds with respect to such Financing Event is greater than the amount of the Net Refinancing Proceeds that Lessee would have been required to pay to County under this Section 4.8.5 if no portion of the $7,000,000 amount set forth in clause (i)(a) of the first paragraph of this Section 4.8.5 had been subtracted from the Base Value as required under such clause (i)(a) (with the excess Net Refinancing Proceeds payable by Lessee resulting from the subtraction of such $7,000,000 amount hereafter referred to as the "Excess Net Refinancing Proceeds Amount"), then for purposes of calculating the amount under clause (a)(i) of the first paragraph of Section 4.8 above on the first Change of Ownership after such Financing Event, an amount equal to the Excess Net Refinancing Proceeds Amount from such preceding Financing Event shall be subtracted from the amount set forth in such clause (a)(i) of the first paragraph of Section 4.8.

~~4.8.6~~ 4.8.6 Transfers to which Sections 4.6 through 4.8 Apply. The provisions of Sections 4.6 through 4.8 hereof shall apply to all transfers of beneficial interests in this Lease or a Major Sublease which constitute a Change of Ownership, unless such transfers are otherwise excluded pursuant to this Lease. Furthermore, the provisions of Sections 4.6 through 4.8 of this Lease, and the principles set forth therein, shall apply to any transfer or series of transfers which County can demonstrate was primarily structured for the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

~~4.8.7~~ 4.8.7 Payment. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such share and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share and late fee at the Applicable Rate from the date due until paid; provided that in the case of a dispute as to the correct amount of the Net Proceeds Share there shall be no late fee payable as long as Lessee timely pays to County the undisputed portion of the Net Proceeds Share and deposits the disputed portion thereof in an interest bearing escrow account at the closing of the transaction (or delivers to County a letter of credit or other security reasonably acceptable to County in the amount of such disputed portion). In the event that the proceeds of the transaction giving rise to the obligation to pay Net Proceeds Share are comprised, in whole or in part, of assets other than cash, then the cash payment of the Net Proceeds Share shall reflect the fair market value of such non-cash assets as of the date of the Change of Ownership, which shall be set forth in the Calculation Notice. Notwithstanding the foregoing, in the case of a Change of Ownership described in subsection 4.6.1(b), the Net Proceeds Share shall be payable to County as and when the Net Transfer Proceeds are received, with the Net Proceeds Share being equitably apportioned to the payments derived by Lessee from said Change of Ownership (other than any payments passed through to County under this Lease).

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

5. CONSTRUCTION OF IMPROVEMENTS.

5.1 Redevelopment Work. It is expressly understood and agreed that following the Effective Date Lessee shall proceed to construct one hundred twenty (120) new additional luxury apartment units on the Premises (the "New Apartments"). The construction of the New Apartments, along with all associated improvements, hardscape, landscape and other site work approved by County and to be performed in connection with the construction of the New Apartments, are herein collectively referred to as the "Redevelopment Work." The design, density, site coverage, layout and open space, view corridors, building height, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Redevelopment Work shall be subject to County's approval as set forth in this Article 5 and Section 3 of the Option Agreement, and shall be subject to the receipt by Lessee of all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals. In connection with County's approval of the design and quality of the Redevelopment Work, the design and quality of all Improvements (including, without limitation, the design and quality of interior fixtures, counters, appliances, cabinetry, bath and shower enclosures, flooring materials and the like, as well as exterior landscape and hardscape) shall be consistent with L'Estancia and other luxury apartment projects constructed recently on the Westside of Los Angeles. The quality of the non-structural specifications of the Redevelopment Work shall also comply with the requirements set forth on Exhibit B attached to this Lease. Lessee shall be solely responsible for all costs and expenses incurred in connection with the design, entitlement and construction of the Redevelopment Work. ~~Lessee shall comply with all time deadlines and schedules set forth in this Article 5 relating to the completion of the design and construction of the Redevelopment Work. Lessee's failure to do so shall, if not cured~~

Lessee agrees that the primary purpose for County having entered into this Lease is to provide the public with the opportunity to enjoy the Improvements described in the Final Redevelopment Work Plans and Specifications at the earliest practicable date. Therefore, it is understood and agreed that the Required Construction Commencement Date and Required Construction Completion Date will be strictly enforced and shall be extended only under the specific circumstances set forth in Sections 5.6 or 5.7, and under no other circumstances. In the event that Lessee fails to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or fails to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such dates may be extended pursuant to Sections 5.6 or 5.7 below), then in addition to any other right or remedy which County may have in connection therewith, but subject to Section 12.12, this Lease shall be automatically amended such that the terms and provisions of this Lease revert back to the terms and provisions of the Existing Lease (including, without limitation, the Existing Expiration Date), as modified by the "Non-Exercise Amendment" described in the Option Agreement (the "Reversion Amendment").

5.1.1 Final Redevelopment Work Plans and Specifications. Pursuant to Sections 4.3.1 and 4.3.2 of the Option Agreement, County has heretofore approved the Schematics and the Preliminary Plans for the Redevelopment Work. On or before ninety (90) days prior to the Required Construction Commencement Date, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications for the Redevelopment Work on the Premises (the "Final Plans"), together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. The Final Plans shall reflect a natural progression and logical evolution from the Preliminary Plans approved under the Option Agreement. Lessee shall file duplicate copies of the Final Plans required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits for the Redevelopment Work on the Premises. Any difference in the scope, size, configuration, arrangement or motif of the Improvements described in the Final Plans from those described in the Preliminary Plans for the Premises approved under Section 4.3.2 of the Option Agreement shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove the Final Plans, which approval shall not be unreasonably withheld. Director may disapprove the Final Plans only on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved Preliminary Plans (exclusive of any Approved Governmental Changes, as defined in Section 4.3.1 of the Option Agreement). Failure of Director to disapprove said Final Plans within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the Final Plans contain substantial changes from the Preliminary Plans (other than any Approved Governmental Changes), then Director shall have sixty (60) days in which to approve the Final Plans, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the Final Plans, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

Lessee agrees that the primary purpose for County having entered into this Lease is to provide the public with the opportunity to enjoy the Improvements described in the Final Redevelopment Work Plans and Specifications at the earliest practicable date. Therefore, it is understood and agreed that the Required Construction Commencement Date and Required Construction Completion Date will be strictly enforced and shall be extended only under the specific circumstances set forth in Sections 5.6 or 5.7, and under no other circumstances. In the event that Lessee fails to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or fails to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such dates may be extended pursuant to Sections 5.6 or 5.7 below), then in addition to any other right or remedy which County may have in connection therewith, but subject to Section 12.12, this Lease shall be automatically amended such that the terms and provisions of this Lease revert back to the terms and provisions of the Existing Lease (including, without limitation, the Existing Expiration Date), as modified by the "Non-Exercise Amendment" described in the Option Agreement (the "Reversion Amendment").

5.1.1 Final Redevelopment Work Plans and Specifications. Pursuant to Sections 4.3.1 and 4.3.2 of the Option Agreement, County has heretofore approved the Schematics and the Preliminary Plans for the Redevelopment Work. On or before ninety (90) days prior to the Required Construction Commencement Date, Lessee shall submit for approval by Director six (6) complete sets of final plans and detailed specifications for the Redevelopment Work on the Premises (the "Final Plans"), together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. The Final Plans shall reflect a natural progression and logical evolution from the Preliminary Plans approved under the Option Agreement. Lessee shall file duplicate copies of the Final Plans required by this subsection with the County Director of Public Works, together with the necessary and appropriate applications for building permits for the Redevelopment Work on the Premises. Any difference in the scope, size, configuration, arrangement or motif of the Improvements described in the Final Plans from those described in the Preliminary Plans for the Premises approved under Section 4.3.2 of the Option Agreement shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove the Final Plans, which approval shall not be unreasonably withheld. Director may disapprove the Final Plans only on the grounds that they do not reflect a natural evolution from or that they materially differ from the approved Preliminary Plans (exclusive of any Approved Governmental Changes, as defined in Section 4.3.1 of the Option Agreement). Failure of Director to disapprove said Final Plans within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the Final Plans contain substantial changes from the Preliminary Plans (other than any Approved Governmental Changes), then Director shall have sixty (60) days in which to approve the Final Plans, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the Final Plans, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

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

Following any deemed disapproval by Director of such submission, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved Preliminary Plans (exclusive of any Approved Governmental Changes). Upon approval, the Final Plans shall be referred to herein as the "Final Redevelopment Work Plans and Specifications." No material modifications shall be made to the Improvements described in the approved Final Redevelopment Work Plans and Specifications, without the prior written approval of Director, which shall not be unreasonably withheld.

5.2 Renovation of Improvements.

5.2.1 Renovation of Existing Apartments. As of the Effective Date there are a total of 846 existing apartment units on the Premises (the "Existing Apartments"). Attached to this Lease as Exhibit C is an inventory listing the current state of renovation as of the Effective Date of each unit of the Existing Apartments. Following the Effective Date Lessee shall commence to perform the Apartment Renovation Work (as defined below). The "Apartment Renovation Work" shall mean the renovation of the Existing Apartments in accordance with the Apartment Renovation Plan attached to this Lease as Exhibit D (the "Apartment Renovation Plan"), together with the additional work described in subsection 5.2.3 below. There shall be no changes, modifications or exceptions to the Apartment Renovation Plan except as expressly approved in advance in writing by the Director. The Apartment Renovation Plan includes a list of equivalent alternative specifications (the "Specifications") for various components of the Apartment Renovation Work for each unit. Such equivalent alternatives shall be updated every third (3rd) anniversary of the Effective Date, or on such shorter intervals as requested by Lessee, to address industry changes over time in the continued availability or use of certain materials. On or before each third (3rd) anniversary of the Effective Date (or more often at Lessee's election), Lessee shall be responsible for submitting to the Director, for Director's approval, updates to the Specifications. Director shall not unreasonably withhold its approval of updates to the Specifications required under this Section 5.2.1; provided, however, in no event shall the updates be of a lower quality than the quality of the then existing Specifications. To the extent that certain components of the Apartment Renovation Plan have been completed prior to the Effective Date in certain of the Existing Apartment units (as noted on Exhibit C), then with respect to those

particular partially completed units Lessee shall be obligated to complete only the remaining components of the Apartment Renovation Plan.

5.2.2 Schedule for Completion of Apartment Renovation Plan. During the period from the Effective Date until the Trigger Date, Lessee shall complete the Apartment Renovation Plan with respect to at least fifty (50) units per year. For purposes of this Section 5.2 each "year" shall mean each successive twelve (12) month period following the Effective Date. Lessee shall not be in default of its obligations under this subsection 5.2.2 if Lessee uses its best efforts to complete the Apartment Renovation Plan with respect to at least fifty (50) units in a year, but is unable to do so solely because at least fifty (50) units did not become (or were not otherwise) vacant during such year to permit the performance of the Apartment Renovation Plan as to such required number of units. However, from and after the Effective Date, no unit which is or becomes vacant shall be re-leased prior to the completion of the Apartment Renovation Plan with respect to such unit unless Lessee has, and as of the end of the then current year will have, completed the Apartment Renovation Plan with respect to an average of at least fifty (50) units per year since the Effective Date (the foregoing, however, shall not prevent Lessee from re-leasing at any time any units that are not required for Lessee to meet the fifty (50) unit per year requirement). If as of the end of any year Lessee fails (for whatever reason, including without limitation, an insufficient number of vacancies) to complete the Renovation Plan with respect to a sufficient number of units such that the average number of completed units per year since the Effective Date is at least fifty (50), then (i) on or before the last day of such year Lessee shall contribute to the Renovation Fund (as defined in subsection 5.2.5 below) an additional Five Thousand Dollars ($5,000) per unit for the total number of units less than the fifty (50) unit per year average with respect to which the Apartment Renovation Plan has not been completed, and (ii) the unit completion requirement for the following year shall be increased by the number of units for which the Apartment Renovation Plan must be completed during such following year to meet the fifty (50) unit per year average as of the end of such year. Provided that (x) Lessee complies with the obligation to contribute to the Renovation Fund as stated above, (y) the increase in the number of units to be renovated in any subsequent year is effective, and (z) to the extent applicable, Lessee pays Imputed Rent as described in subsection 5.2.6 below, then County shall not have the right to declare a default under Article 13 below for Lessee's failure to meet the fifty (50) units per year average; provided further that this sentence shall not affect County's right to declare a default by Lessee for any failure by Lessee to comply with its obligations set forth in the last sentence of this subsection 5.2.2. Lessee shall be given access to the additional Renovation Fund contributions made pursuant to clause (i) above only at such time as Lessee has completed the Apartment Renovation Plan with respect to fifty (50) units in such following year and commenced renovation on the additional units required to meet the fifty (50) unit per year average requirement as of the end of such year. If as of the Trigger Date the Apartment Renovation Plan has not been completed with respect to all of the Existing Apartments, then (a) with respect to any Existing Apartment unit as to which the Apartment Renovation Plan has not been completed by the Trigger Date, such unit shall be completely renovated to a standard, for all renovated items, equal in quality to the non-structural specifications required for the New Apartments set forth on Exhibit

B, and (b) the renovation work described in clause (a) above shall be completed on or before the earlier of (1) March 11, 2015, or (2) eight (8) years after the Trigger Date.

5.2.3 Additional Apartment Renovation Work. In addition to the Apartment Renovation Plan for the individual Existing Apartment units as described in subsection 5.2.1 above, the Apartment Renovation Work shall include the additional renovation work described in this subsection 5.2.3 (collectively, the "Additional Renovation Work"). The Additional Renovation Work shall consist of (i) the renovation of all interior ceilings of the Existing Apartments (to the extent not previously renovated to the standard required herein) such that the existing acoustic ceilings are removed or otherwise fully concealed, and the ceilings refinished; provided that such ceiling renovation work shall be modified to the extent necessary to accommodate any radiant heating system component which both exists as of the Effective Date and is in use as of the date of the ceiling renovation work described in this clause (i); (ii) the renovation of all interior common areas, including without limitation, hallways and lobbies (to the extent not previously renovated to the standard required herein), which renovation shall be in accordance with the standard set forth in Exhibit E attached hereto; (iii) the renovation of the exterior of the buildings (to the extent not previously renovated to the standard required herein), including without limitation, new windows and sliding doors, balconies and facade treatments, which renovation shall be in accordance with the renovation plan attached hereto as Exhibit F; and (iv) the renovation of all exterior common areas, including without limitation, all hardscape (excluding vehicular roadways used primarily for vehicles and not for pedestrians), pool deck areas, walkways, parking areas and other exterior common areas, which renovation shall be in accordance with the renovation plan attached as Exhibit G (the "Exterior Common Area Plan"). The Exterior Common Area Plan attached as Exhibit G is a concept plan, together with a general description of materials. Exhibit G also provides for the proposed retention of certain elements of the hardscape Improvements existing as of the Effective Date, as noted thereon. Lessee shall have the right to retain such elements only to the extent that as of the Trigger Date such elements show no material signs of wear and are not outdated. The parties acknowledge and agree that prior to the approval by the Director of the Final Plans for the exterior common area renovation work described in clause (iv) above, the Exterior Common Area Plan shall be modified by Lessee to the reasonable satisfaction of Director to accommodate (1) directions and requirements of the Design Control Board; (2) changes in materials and technologies then generally used for such construction, and (3) changes in generally acceptable and contemporary design standards. Lessee shall complete the Additional Renovation Work on or before that date which is the earlier of (a) March 11, 2015, or (b) eight (8) years after the Trigger Date.

5.2.4 Renovation of Waterfront Improvements.

5.2.4.1 Initial Dock Renovation Work. Following the Effective Date Lessee shall commence to perform the dock renovation work described on Exhibit H attached hereto, including without limitation, the replacement of the four (4) existing wooden docks and the construction of a new gangway which complies with all Applicable Laws, including without limitation, ADA and Title 24.

Lessee shall complete the work described in the immediately preceding sentence on or before the date that is eighteen (18) months following the Effective Date.

5.2.4.2 Anchorage Replacement. During the eight (8) year period following the Effective Date, but in all events by not later than April 1, 2009, Lessee shall complete the replacement of all anchorage-related Improvements on the Premises, including without limitation, all docks, gangways and related components (collectively, the "Anchorage Facilities"). Except as otherwise provided in subsection 5.2.4.6 below, the Anchorage Facilities shall not include the landside lockers, restrooms, showers, laundry and parking facilities serving the Anchorage Facilities. Such replacement of the Anchorage Facilities shall be performed in eight (8) annual winter phases over the eight (8) year period described above, in accordance with a phasing schedule reasonably approved by the Director; provided, however, that notwithstanding the foregoing, the replacement of the Anchorage Facilities shall be substantially completed by not later than April 1, 2009. The replacement of the Anchorage Facilities under this subsection 5.2.4.2 shall be performed in compliance with the Anchorage Facilities Quality Standard (as defined below) and in accordance with all terms and provisions of this Article 5 applicable to Alterations. For purposes of this subsection 5.2.4.2 and subsection 5.2.4.6 below, the "Anchorage Facilities Quality Standard" shall mean anchorage facilities that are first-class and state of the art as of the date of the replacement construction, and that in all events comply with (i) the then most recent edition of the Minimum Standards (as defined in subsection 5.2.4.3 below), (ii) the then most recent edition of Layout and Design Guidelines for Small Craft Facilities by the California Department of Boating and Waterways (or similar successor publication), and (iii) design memoranda as provided by the Harbor Engineer of the Los Angeles County Department of Beaches and Harbors.

5.2.4.3 On-Going Maintenance of Anchorage. Lessee shall at all times during the Term keep all Anchorage Facilities in good repair and condition in accordance with the requirements of Policy Statement No. 25 and the Specifications and Minimum Standards of Architectural Treatment and Construction for Marina del Rey approved in 1989, as modified by County or the Department from time to time in a manner consistent with commercially reasonable standards applicable to other comparable residential apartment project and marina facilities in Marina del Rey (the "Minimum Standards"). Any dispute as to whether revisions to the Minimum Standards adopted by County or the Department from time to time pursuant to the immediately preceding sentence are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Lessee's obligation shall include, to the extent necessary or appropriate to satisfy the Minimum Standards and Policy Statement No. 25, the use of new materials, parts and components rather than the repair or rejuvenation of existing materials, parts and components. During the Term Lessee shall also complete float repair and replacement on an as-needed basis. Additionally, any requirement for repair due to a deficiency notice issued by the Department shall be accomplished with new materials and parts rather than patching or other like

method. Such required replacement of deficiency-cited items with wholly new parts and materials shall, however, be limited to the specific item in disrepair and shall not connote a requirement, for maintenance purposes, that areas or items surrounding the deficient item be replaced with new materials and/or parts.

5.2.4.4 Maintenance Deficiencies. If County provides written notice to Lessee of a deficiency or other breach in the performance by Lessee of the maintenance and repair obligations of Lessee under subsection 5.2.4.3 above, then Lessee shall promptly commence the cure thereof and shall complete such cure within the time period for such cure set forth in the County's deficiency notice, which cure period shall not be less than ten (10) business days. Notwithstanding the foregoing, County shall have the right to immediately require Lessee to take all appropriate steps to avoid damage or injury in connection with any emergency situation. If Lessee fails to cure any such deficiency within the cure period set forth in County's deficiency notice, then in addition to, and not in lieu of, any rights or remedies that County may have under Article 13 of this Lease for defaults not cured within the applicable notice and cure periods set forth therein, Lessee shall pay to County an amount equal to One Hundred Dollars ($100) per day per item of deficiency for each day after such cure period that the deficiency item remains uncured; provided, however, if the nature of the deficiency is such that it is not capable of cure within the cure period specified in County's notice (for example, as a result of permitting requirements or construction material procurement delays beyond the control of Lessee), then as long as during the specified cure period Lessee commences the cure of the deficiency and thereafter continues the prosecution of the completion of such cure in a manner and with such diligence that will effectuate the cure in as short a period as reasonably possible, then the cure period specified in County's deficiency notice shall be extended for such additional time as necessary to complete the cure in as short a period as reasonably possible.

5.2.4.5 Management of Anchorage. During the Term of the Lease, Lessee shall engage an experienced, professional marina management firm reasonably acceptable to the Director to manage the day to day operation of the Anchorage Facilities. After Director's approval of such management firm, Lessee shall not have the right to change the management firm without first obtaining the prior approval of Director, which approval shall not be unreasonably withheld. If during the Term in the reasonable judgment of the Director the then current management firm is performing in an unsatisfactory manner, then at the request of the Director Lessee shall replace such management firm with a new management firm reasonably acceptable to the Director. If during the Term the then current management firm terminates its contract, then Lessee shall have the right to replace such management firm with another management firm approved by Director, which approval shall not be unreasonably withheld.

5.2.4.6 Future Replacement of Anchorage Facilities. During the period from the thirtieth (30th) anniversary of the Effective Date through the forty-fifth, (45th) anniversary of the Effective Date, County shall have the right to have the

condition of the Anchorage Facilities inspected from time to time by an independent, nationally recognized, marine engineering consultant selected by County. For purposes of this subsection 5.2.4.6 only, the Anchorage Facilities shall include the landside lockers, restrooms and shower facilities to which the users of the anchorage improvements are provided access. County and Lessee shall equally share the fees and expenses incurred for the marine engineering consultant engaged by the County under this subsection 5.2.4.6. If in the opinion of such engineering consultant the Anchorage Facilities (i) are unsafe, unsightly or at the end of their useful lives; (ii) are of a lesser overall quality than the quality of the replacement Anchorage Facilities installed pursuant subsection 5.2.4.2 above, or (iii) are of a lesser overall quality than a majority of the other anchorage facilities operated in Marina del Rey at the time of the inspection, then at the County's request Lessee shall, at Lessee's cost, replace the Anchorage Facilities with new Anchorage Facilities. For purposes of this subsection 5.2.4.6, the Anchorage Facilities shall be inspected and evaluated by the engineering consultant on a section by section basis, and if a particular section, or a material portion of a particular section, of the Anchorage Facilities does not satisfy the test set forth above, then Lessee shall be required to replace all of the component parts of such section. For purposes of this subsection 5.2.4.6, each of the eight phases of the Anchorage Facilities replaced by Lessee pursuant to subsection 5.2.4.2 above shall be considered to be a separate "section" of the Anchorage Facilities. In addition, the landside lockers, on the one hand, and the restrooms and shower facilities, on the other hand, shall each be considered to be a separate "section" of the Anchorage Facilities. Notwithstanding that the inspection of the Anchorage Facilities shall be performed on a section by section basis, if multiple sections of the Anchorage Facilities do not meet the test set forth above in this subsection 5.2.4.6, then Lessee shall be required to perform the replacement of all of such deficient Anchorage Facilities at the same time unless Lessee and Director otherwise agree upon a mutually acceptable phasing schedule for such replacement.

In all events, all of the Anchorage Facilities shall be replaced at one point or another during the period between the thirtieth (30th) and forty-fifth (45th) anniversaries of the Effective Date. The replacement Anchorage Facilities under this subsection 5.2.4.6 shall comply with the Anchorage Facilities Quality Standard defined in subsection 5.2.4.2 above and shall be performed in accordance with all terms and provisions of this Article 5 applicable to Alterations. The consultant's determination as to the date that the Anchorage Facilities, or portions thereof, require replacement pursuant to this subsection 5.2.4.6 shall be based solely on the actual condition of such Anchorage Facilities, and no consideration shall be given to the duration of the remaining Term of the Lease in making such determination. If the consultant determines that Anchorage Facilities replacement work is required, then concurrent with such determination, the consultant shall include as a part of such determination its opinion as to the period of time reasonably necessary to perform the design, permitting and construction of such work. Lessee shall commence any required work (i.e., commence any design and permitting work) within sixty (60) days following

receipt of the consultant's determination and thereafter complete the installation and construction of the work within the period prescribed in the consultant's determination. Notwithstanding any contrary provision of this subsection 5.2.4.6, with respect to the landside lockers, restrooms and shower facilities included in the Anchorage Facilities, Lessee shall have the right to choose to renovate such facilities in a manner that meets the Anchorage Facilities Quality Standard in lieu of the complete replacement thereof.

5.2.4.7 Water Quality Management Program. During the remaining Term of the Lease, Lessee shall comply with all water quality management requirements imposed by the Coastal Commission in connection with the issuance of the Coastal Development Permit for the Anchorage Facilities replacement required in subsection 5.2.4.2 above; provided, however, that Lessee shall in all events comply at least with the water quality management requirements set forth in Exhibit M attached to this Lease. In addition, during the remaining Term of the Lease, Lessee shall remove floating debris from the water surrounding the Anchorage Facilities in accordance with a program and regular schedule reasonably acceptable to the Director.

5.2.4.8 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Anchorage Facilities replacement work described in subsections 5.2.4.2 and 5.2.4.6 above. Such cooperative efforts may include the Department's joinder in any application for such approval, consent, permit or variance, where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Section 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that the Department's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions, as distinct from its proprietary functions pursuant to this Lease.

5.2.4.9 Delays in Anchorage Facility Replacement Work. Lessee shall perform the Anchorage Facilities replacement work described in subsections 5.2.4.2 and 5.2.4.6 in accordance with a schedule that is consistent with the terms and provisions of such subsections. If the performance by Lessee of such Anchorage Facilities replacement work is delayed due to Force Majeure, then the time period for the completion of that portion of the work that is delayed by the Force Majeure event or condition shall be extended for the period of the delay;

provided, however, no delay in individual phases of the Anchorage Facilities replacement work described in subsections 5.2.4.2 and 5.2.4.6 shall extend the date for Lessee's completion of subsequent phases of such replacement work, unless such (or another) Force Majeure event or condition is independently applicable to such subsequent phase; and provided further, that the entire Anchorage Facilities replacement under subsection 5.2.4.2 shall be substantially completed on or before April 1, 2009 and the entire Anchorage Facilities replacement under subsection 5.2.4.6 shall be substantially completed on or before the forty-fifth (45th) anniversary of the Effective Date, except in each case to the extent of a Force Majeure delay that is then independently in effect with respect to the remaining phase or phases of the work, in which case the applicable completion date shall be extended for the duration of such delay.

Lessee shall provide written notice to Director of its claim as to the existence of any Force Majeure delay (which notice shall specify with particularity the basis for the delay), and no Force Majeure delay shall commence until Lessee has provided such written notice to Director. For purposes of this subsection 5.2.4.9, "Force Majeure" shall have the meaning set forth in the second sentence of Section 5.6 of this Lease and shall also include delays in the performance of the Anchorage Facilities replacement work caused by (i) a third party restraining order or injunction (filed by a plaintiff other than County or the California Coastal Commission) obtained with respect to the performance of the Anchorage Facilities replacement work, subject to Lessee's obligation to diligently pursue the removal or appeal of any such restraining order or injunction, (ii) Unreasonable County Activity (as defined in subsection 5.7.2, but with all references in such definition to the Improvements, Final Redevelopment Work Plans and Specifications and Substantial Commencement of Construction modified to refer to the Anchorage Facilities replacement work and the plans and construction schedule related thereto), subject to the procedures set forth in subsection 5.7.2 below for establishing Unreasonable County Activity, or (iii) Lessee's inability to obtain a governmental permit or approval (other than an approval from County under this Lease) to perform the Anchorage Facilities replacement work despite the diligent pursuit by Lessee of all commercially reasonable efforts to obtain such permit or approval. Lessee and Director shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this subsection 5.2.4.9. If within thirty (30) days after Tenant's notice of a claimed delay (or within thirty (30) days following notice from either party that the claimed delay has expired) the parties are unable to agree as to whether the event or occurrence constitutes a Force Majeure delay and/or as to the length of the permitted delay, such dispute shall be arbitrated as set forth in Article 16.

5.2.5 Renovation Fund. During the period from the Effective Date through the end of the Term, Lessee shall establish and maintain a reserve fund (the "Renovation Fund") in accordance with the provisions of this subsection 5.2.5 for the cost of capital renovations to the Premises. Until the completion of the Apartment Renovation Work, those funds deposited into the Renovation Fund pursuant to clause (i) of the next

paragraph shall be utilized only to fund the cost of the Apartment Renovation Work, and those funds deposited into the Renovation Fund pursuant to clauses (iii) and (iv) of the next paragraph shall be utilized only to fund the cost of capital renovations and upgrades to the New Apartments made by Lessee after the completion of the construction thereof. Lessee and County agree and acknowledge that following the completion of the Apartment Renovation Work the primary purpose of the Renovation Fund shall be to provide funds for the ongoing revitalization of the Improvements on the Premises (excluding any Improvements associated with dock and/or anchorage facilities located on the Premises) through the replacement, renovation, rehabilitation, upgrading, addition and installation of physical Improvements to the Premises. The Renovation Fund shall not be utilized to fund the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the Improvements in a good, operating condition, nor for any necessary repairs, replacements or renovations to or of Improvements associated with dock or anchorage facilities located on the Premises (including any landside lockers, restrooms or shower facilities to which the anchorage users are provided access), all of which costs shall be separately funded by Lessee. All purposes and costs for which Lessee desires to utilize amounts from the Renovation Fund shall be subject to Director's approval, which approval shall not be unreasonably withheld. The Renovation Fund shall be an account established with a reputable financial institution (including Lessee's Encumbrance Holder) acceptable to Director into which deposits shall be made by Lessee (and/or into which Lessee's Encumbrance Holder shall provide funds) pursuant to this subsection 5.2.5. The amounts to be added to the Renovation Fund shall be inclusive of amounts required to be deposited with and held by an Encumbrance Holder, provided that the Encumbrance Holder acknowledges that such amounts are subject to the requirements and shall be made available for the purposes of this subsection 5.2.5.

On or before the fifteenth (15th) day of each calendar month during the Term, Lessee shall make a deposit to the Renovation Fund in the following amounts: (i) during the period from the Effective Date until the earlier of (1) the date of the completion of the Apartment Renovation Work, or (2) March 11, 2015, Lessee shall deposit into the Renovation Fund on a monthly basis, an amount equal to five percent (5%) of Gross Receipts received during the preceding month from the occupancy of the Existing Apartments, (ii) during the period from the end of the period described in clause (i) above until the end of the Term, Lessee shall deposit into the Renovation Fund on a monthly basis, an amount equal to three percent (3%) of Gross Receipts received during the preceding month from the occupancy of the Existing Apartments, (iii) on or before the (3rd) anniversary of the Completion Date for the New Apartments, Lessee shall deposit into the Renovation Fund a one time deposit equal to one and one-half percent (1.5%) of the aggregate Gross Receipts received from the occupancy of the New Apartments during the first three (3) years following the Completion Date for the New Apartments, less the cost of any capital repairs made with respect to the New Apartments by Lessee during such three (3) year period (but not including any costs incurred to complete the Redevelopment Work), which costs are submitted by Lessee to Director not less than thirty (30) days prior to the required deposit date described in this clause (iii) and are approved by Director, which approval shall not be unreasonably withheld, and (iv) commencing on the first month of the fourth (4th) year following the Completion Date and continuing monthly thereafter until the end of the Term, Lessee shall deposit

into the Renovation Fund an amount equal to three percent (3%) of Gross Receipts received during the preceding month from the occupancy of the New Apartments. In addition to the Renovation Fund contributions described in the immediately preceding sentence, Lessee shall also make any annual $5,000 per unit contributions required under subsection 5.2.2 above, and shall also deposit into the Renovation Fund all Deferred Rental Amounts for such month. All interest and earnings on the Renovation Fund shall be added to the Renovation Fund, but shall not be treated as a credit against the Renovation Fund deposits required to be made by Lessee pursuant to this subsection 5.2.5. Disbursements shall be made from the Renovation Fund only for costs which have been approved by Director and which satisfy the requirements of this subsection 5.2.5. For the purpose of obtaining Director's prior approval of any Renovation Fund disbursements, Lessee shall submit to Director on an annual basis on or before the Effective Date and each anniversary thereafter a renovation plan for the upcoming year which details the amount and purpose of anticipated Renovation Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld. Any anticipated expenditure set forth in such renovation plan which is approved by Director as an acceptable Renovation Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual renovation plan) for the duration of the upcoming year. Lessee shall have the right during the course of each year to submit to Director for Director's approval revisions to the then current renovation plan in effect for such year or individual expenditures not noted on the previously submitted renovation plan. Prior to the disbursement of any amounts from the Renovation Fund, Lessee shall furnish to Director applicable invoices, evidence of payment and other back-up materials reasonably acceptable to Director concerning the use of amounts from the Renovation Fund. As long as Lessee is not then in default under the Lease, including without limitation, its obligations under this Section 5.2, if, and at such time during the last ten (10) years of the Term as, County notifies Lessee that County shall require the removal of Improvements at the end of the Term pursuant to subsection 2.6.2, Lessee shall have the right to use all remaining amounts in the Renovation Fund for Improvement removal fund purposes under such subsection 2.6.2.

5.2.6 Imputed Rent. If as of the third (3rd) anniversary of the Effective Date or any successive anniversary thereafter until the completion of the Apartment Renovation Plan for all of the Existing Apartment units, the total number of Existing Apartment units with respect to which the Apartment Renovation Plan has been completed (the "Total Completed Units") is less than the product of (i) the number of years elapsed since the Effective Date, multiplied by (ii) fifty (50) (such product referred to herein as the "Required Number"), then within sixty (60) days following such Effective Date anniversary Lessee shall pay to County "Imputed Rent" (as defined below), which Imputed Rent shall be in addition to any Annual Minimum Rent, Percentage Rent or other amounts payable by Lessee under this Lease. The Imputed Rent payable within sixty (60) days following each such Effective Date anniversary shall be an amount equal to the product of (w) the amount by which (I) the Required Number exceeds (II) the Total Completed Units, as of such Effective Date anniversary (the "Net Shortfall"), multiplied by (x) the Deemed Monthly Rent Premium (as defined below), multiplied by (y) the Applicable Percentage (as defined below), multiplied by (z) 12. For

purposes hereof, the "Deemed Monthly Rent Premium" shall mean the amount by which the average monthly per unit rental rate then in effect for existing leases of the New Apartments (i.e., not considering vacant units) exceeds the average monthly per unit rental then in effect for existing leases of the Existing Apartments (likewise, not considering vacant units). If as of any Effective Date anniversary for which the Imputed Rent must be calculated, the New Apartments have not been completed and leases commenced with respect to at least a portion of such New Apartments, then for purposes of calculating the Imputed Rent payable for such year, the average monthly per unit rental rate for the New Apartments shall be $1,537.65, adjusted for the percentage change in the Consumer Price Index from the month of August, 1999 to the month which includes the Effective Date anniversary for which the Imputed Rent is being calculated. For purposes hereof, the "Applicable Percentage" shall mean the then effective percentage applicable to the Gross Receipts described in subsection 4.2.2(c) of this Lease in connection with the calculation of Percentage Rent. An example of the Imputed Rent calculation is attached to this Lease as Exhibit I. The Director shall have the right, but not the obligation, in its sole and absolute discretion, to waive (or reduce) the Imputed Rent required to be paid by Lessee under this subsection 5.2.6 to the extent that as of the end of any year Lessee has been prevented from completing the Apartment Renovation Plan with respect to the Required Number of Existing Apartment units as a result of the unavailability of vacant units for renovation. For purposes of clarification, in interpreting the terms and provisions of this Section 5.2, a unit shall not be considered to have been unavailable for renovation at any time after which an occupant vacates a unit if following the vacation of such unit Lessee does not commence the Apartment Renovation Plan with respect to such unit, but instead re-leases the unit for occupancy. No waiver or delay by County or the Director in requiring Lessee to pay Imputed Rent (or any portion thereof) described in this subsection 5.2.6 shall constitute a waiver by County or Director of the right to subsequently require the payment by Lessee of the full amount of Imputed Rent described herein. The Imputed Rent required to be paid by Lessee under this subsection 5.2.6 shall not in any way constitute or be interpreted as a limitation on any other right or remedy that County may have in connection with Lessee's failure to comply with its obligations under this Section 5.2. Such Imputed Rent is intended to only partially compensate County for the damages or losses which County is likely to incur in the event that the Apartment Renovation Plan work described herein is not completed within the time frames required hereunder, and in no event shall such Imputed Rent under any circumstance be construed as a penalty or in any manner limit the exercise by County of any remedies which County may have for any failure by Lessee to comply with its obligations under this Section 5.2.

5.2.7 County's Inducement. Lessee acknowledges that the principal inducement to County to enter into this Amended and Restated Lease Agreement and to extend the Term as provided herein is the timely improvement of the Premises by Lessee with the Redevelopment Work described in Section 5.1 above and the timely performance by Lessee of all of the renovation work described in this Section 5.2. Accordingly, Lessee expressly acknowledges that any failure by Lessee to perform its obligations under Section 5.1 above and this Section 5.2 in all material respects by the dates set forth herein shall constitute a material breach of and default under the Lease by

Lessee which entitles County to exercise any and all rights and remedies which County may have as a result thereof, under this Lease, at law and/or in equity.

5.2.8 Application of Article 5 to Renovation Work. For purposes of this Article 5, all of the renovation work described in this Section 5.2 shall be considered to be Alterations (as defined in Section 5.3 below). Accordingly, except as provided in this subsection 5.2.8 and Section 5.10 below, all of the terms and provisions of Sections 5.3, 5.4, 5.8, 5.9 and 5.11 of this Lease shall be applicable to the renovation work described in this Section 5.2. Notwithstanding the foregoing, to the extent that in the reasonable judgment of Director the Exhibits attached to this Lease are in the form and satisfy the requirements of any portions or components of the schematics, preliminary plans and/or final plans to be delivered by and approved by Director pursuant to Section 5.3 below, such portions or components of the schematics, preliminary plans and/or final plans shall not be required.

5.3 Plans and Specifics for Alterations. Lessee shall make no Alterations (as defined below) to the Improvements located on the Premises without the prior written approval by Director of such Alterations (including the Director's approval of the plans, specifications and other materials pertaining to such Alterations required under this Section 5.3). Subject to the terms of subsection 5.2.8 above, prior and as a condition precedent to the construction of any alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements (other than the Redevelopment Work) (collectively, "Alterations"), Lessee shall submit to Director, for Director's approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations. All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease.

5.3.1 Schematics and Narrative. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate all affected boundaries of the Premises and all affected rights-of-way or other areas reserved to County or third parties which are located thereon. Director shall have sixty (60) days within which to approve or disapprove such submission. Failure of Director to approve such submission in writing within said sixty (60) day period shall be deemed disapproval of said submission. Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. After approval of schematic plans (or subsequent approval of preliminary or final plans) by Director, if changes in such plans are required by conditions of approval of the Alterations imposed by the California Coastal Commission or other governmental agency having jurisdiction thereover, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove those changes which constitute Approved Governmental Changes.

5.3.2 Preliminary Plans and Specifications. After Director's approval of the materials submitted pursuant to subsection 5.3.1, Lessee shall submit to Director six (6) sets of preliminary plans, outline specifications and construction cost estimates for the

Alterations. The preliminary plans, outline specifications and construction cost estimate shall conform to, expand upon and reflect a natural evolution from the descriptions and estimates set forth in the approved schematic plans and narrative. Any difference in the scope, size, configuration, arrangement or motif of the Improvements from those described in the approved schematics and narrative shall be separately identified and described. Director shall have twenty-one (21) days within which to approve or reasonably disapprove such submission, and Director may disapprove said preliminary plans only on the grounds that (i) they do not reflect a natural evolution from the approved schematic plans or that they materially differ from the approved schematic plans and narrative (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the schematic plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said preliminary plans within twenty one (21) days after Director's receipt thereof shall be deemed Director's approval thereof; provided, however, that in the event that the preliminary plans, outline specifications and construction cost estimates contain substantial changes from the approved schematics and narrative (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the preliminary plans, outline specifications and construction cost estimates, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

> "PURSUANT TO SUBSECTION 5.3.2 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM."

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission.

5.3.3 Final Plans and Specifications. After approval of the preliminary plans, Lessee shall submit for approval by Director six (6) complete sets of final plans, detailed specifications and a construction cost statement for the Alterations, together with one (1) set of appropriate structural computations, identical to those requested or required by the County Director of Public Works incident to the issuance of building permits under the relevant provisions of the Los Angeles County Building Code. Lessee shall file duplicate copies of the final plans, detailed specifications and construction cost statement required by this Section with the County Director of Public Works, together with the

necessary and appropriate applications for building permits. Any difference in the scope, size, configuration, arrangement or motif of the Alterations from those described in the approved preliminary plans and specifications shall be separately identified and described. Director shall have twenty one (21) days within which to approve or disapprove such submission, and Director may disapprove such submission only on the grounds that (i) they do not reflect a natural evolution from or that they materially differ from the approved preliminary plans, outline specifications and construction cost estimates (exclusive of any Approved Governmental Changes), or (ii) that any new, different or additional specifications for the Improvements not expressly set forth in, and approved by Director as a part of, the preliminary plans do not meet the requirements for the Improvements set forth in this Article 5. Failure of Director to disapprove said materials within twenty one (21) days after Director's receipt shall be deemed Director's approval thereof; provided, however, that in the event that the final plans, detailed construction specifications and construction cost statement contain substantial changes from the preliminary plans, outline specifications and construction cost estimates (other than Approved Governmental Changes), then Director shall have sixty (60) days in which to approve said submission, which approval shall be deemed withheld if not granted in writing within such sixty (60) day period; and provided further, that together with the submission of the final plans, detailed construction specifications and construction cost statement, Lessee must deliver to Director a transmittal letter containing the following text prominently displayed in bold faced type:

> "PURSUANT TO SUBSECTION 5.3.3 OF THE AMENDED AND RESTATED LEASE AGREEMENT, IF THESE MATERIALS CONTAIN NO SUBSTANTIAL CHANGES (OTHER THAN APPROVED GOVERNMENTAL CHANGES) FROM THE MATERIALS PREVIOUSLY SUBMITTED TO YOU, YOU HAVE TWENTY ONE (21) DAYS AFTER RECEIPT OF THESE MATERIALS IN WHICH TO APPROVE OR DISAPPROVE THEM. FAILURE TO DISAPPROVE THESE MATERIALS IN WRITING WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THESE MATERIALS SHALL CONSTITUTE YOUR APPROVAL OF THEM."

Following any deemed disapproval of such submission by Director, Director shall, within thirty (30) days after receipt of a written request from Lessee, disclose to Lessee in writing Director's objections to the submission. Director's approval shall not be unreasonably withheld; provided, however, that it shall be deemed reasonable to disapprove any submission not in substantial conformity with the approved preliminary plans and specifications (exclusive of any Approved Governmental Changes), or which contains new, different or additional specifications for the Improvements which were not expressly set forth in, and approved by Director as a part of, the preliminary plans and which do not meet the requirements for the Improvements set forth in this Article 5. No material modification shall be made to the Alterations described in the approved final plans, specifications and costs (the "Final Alteration Plans and Specifications") without the prior written approval of Director, which shall not be unreasonably withheld.

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

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

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

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

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

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

In the event that construction is performed by a licensed general contractor on behalf of Lessee, provided that such contractor provides County with a bond or bonds compliant with this subsection, and in all material

respects reasonably satisfactory to County and otherwise complying with this subsection, County will accept such contractor's bonds in lieu of the Performance Bond and/or Payment Bond by Lessee required by this subsection 5.4.3. Any bonds provided by Lessee or its general contractor pursuant to this subsection ~~may~~shall name the Lessee's lender as an additional obligee.

5.4.4 Alternative Security. In lieu of providing the Payment and Performance Bonds, Lessee may, in its discretion, provide any one or any combination of the following alternative security: (i) a completion guaranty, in form and substance reasonably acceptable to County, made by an individual or entity with a sufficient net worth and liquidity, in the sole discretion of Director, to comply with the terms of such guaranty in view of the potential financial responsibility involved, (ii) a Certificate of Deposit, cash or United States governmental security, (iii) an additional Letter of Credit, or (iv) a Set Aside Letter from Lessee's construction lender. The security described in clauses (ii), (iii) and (iv) above shall be in an amount equal to one hundred percent (100%) of the construction contract price for hard costs, and shall permit County to draw thereon to complete the construction of the Improvements if same have not been completed by Lessee or if a material Event of Default has occurred under this Lease. Any alternative security provided by Lessee pursuant to this subsection may name County and Lessee's ~~construction~~ lender as co-beneficiaries. A condition precedent to Lessee's right to provide the alternate security described in this subsection 5.4.4 shall be delivery by Lessee to County of an opinion of counsel from a firm and in a form acceptable to County to the effect that the construction work does not constitute a public work of improvement requiring the delivery of the bonds described in subsection 5.4.3 above. Director shall have the authority, in his reasonable discretion, to modify, waive or reduce the amount of any bonds or alternate security required hereunder.

5.4.5 Evidence of Financing. Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by Director, to complete the Redevelopment Work or Alterations, as applicable. Lessee shall furnish Director with copies of all final notes, guarantees, partnership, shareholder or limited liability company agreements, construction loan and/or permanent loan commitments, documents evidencing equity contributions, documents creating and/or perfecting security interests, and all documents and exhibits referred to in any of the foregoing, together with any and all recorded documents affecting an interest in the Premises, within seven (7) days after such document or instrument becomes effective.

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

5.5 County Cooperation. In its proprietary capacity, the Department shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the appropriate governmental approvals, consents, permits or variances which may be required in connection with the performance by Lessee of the Redevelopment Work. Such cooperative efforts may include the Department's joinder in any application for such approval, consent,

permit or variance, where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Cost incurred by the Department in connection with such joinder or cooperative efforts. Notwithstanding the foregoing, Lessee and County acknowledge that the approvals given by County under this Lease are approvals pursuant to its authority under Section 25907 of the California Government Code; that approvals given under this Lease in no way release Lessee from obtaining, at Lessee's expense, all permits, licenses and other approvals required by law for the construction of Improvements on the Premises and operation and other use of such Improvements on the Premises; and that the Department's duty to cooperate and County's approvals under this Lease do not in any way modify or limit the exercise of County's governmental functions or decisions as distinct from its proprietary functions pursuant to this Lease.

5.6 Delays in Completion of Redevelopment Work. Once construction of the Redevelopment Work has been Substantially Commenced, Lessee shall thereafter diligently pursue the completion of such construction by the Required Construction Completion Date. During this period, delays due to fire, earthquake, flood, tornado or other act of God, civil disturbance, war, organized labor dispute, freight embargo or other unforeseeable event reasonably beyond the control of Lessee, ~~or~~ a hidden condition relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity, or any environmental contamination located at or discovered at the Premises which did not arise as a result of the actions or omissions of Lessee, its employees, agents or contractors ("Force Majeure") shall extend the time in which said construction must be completed by the length of time of such delay, although Lessee shall commence and complete the portions, if any, of the Improvements not impacted by such delay within the timeframe set forth in this Lease. For purposes of this Section 5.6, "Force Majeure" shall also include delays in the completion of construction caused (i) by a third party restraining order or injunction (filed by a plaintiff other than County or the California Coastal Commission) obtained after the commencement of construction, subject to Lessee's obligation to diligently pursue the removal or appeal of any such restraining order or injunction, or (ii) by Unreasonable County Activity after the commencement of construction, subject to the procedures set forth in subsection 5.7.2 below for establishing Unreasonable County Activity. Lessee and Director shall discuss and attempt to agree on the length of time of any entitled delay due to Force Majeure pursuant to this Section 5.6. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to an entitlement to a delay under this Section 5.6, the matter shall be arbitrated as set forth in Article 16.

5.7 Extension of Dates. Other than as set forth in Section 5.6 above, the Required Construction Commencement Date and Required Construction Completion Date shall be extended only for the reasons set forth in this Section.

5.7.1 Injunction by Third Party, Nonregulatory Body. The Required Construction Commencement Date shall be extended if the commencement of construction of the Redevelopment Work has been enjoined or restrained by a court action commenced by a plaintiff other than County or the California Coastal Commission acting in their governmental capacity. In such case, the Required Construction Commencement Date shall be extended until forty-five (45) days after the restraining order and/or injunction is removed; provided that in no event shall the Required

Construction Commencement Date be extended beyond the second (2nd) anniversary of the date of Lessee's exercise of the Option pursuant to the Option Agreement. Whether or not a named party in such action, Lessee shall diligently pursue the removal of any restraining order or injunction so issued and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.1, then the Required Construction Completion Date shall be extended to the date which is eighteen (18) months after the Required Construction Commencement Date, as so extended. ~~In the event that a permanent injunction prohibiting the construction of the Redevelopment Work becomes final and is no longer subject to appeal, then, at County's or Lessee's option, this Lease shall be amended in accordance with the Reversion Amendment.~~

5.7.2 Delay Caused by Unreasonable County Acts. The Required Construction Commencement Date shall be extended if Lessee has been delayed in the obtaining of any permits or other approvals necessary for the commencement of construction due to Unreasonable County Activity. For the purposes of this Lease, the following shall be deemed to be "Unreasonable County Activity": (i) County's failure to provide required joinder, if any, in Lessee's proposals for the Improvements described in the Final Redevelopment Work Plans and Specifications before any governmental agency; or (ii) County's failure to take such other actions in its proprietary capacity reasonably requested by Lessee, at no cost or expense to County, which are necessary for Lessee to proceed with the permit/approval process or County's having taken such actions without Lessee's consent which adversely affected Lessee's rights and obligations hereunder, which were unreasonable and which actually delayed the Substantial Commencement of Construction and which action or inaction occurred after the date hereof; or (iii) County's failure to comply with the time periods imposed upon County under this Article 5, except in the case where a failure of County to notify Lessee of its approval or disapproval of a matter constitutes County's deemed approval of such matter, or constitutes County's deemed disapproval of such matter and County's disapproval of such matter is authorized under the circumstances. Nothing contained in this Section or this Lease shall be construed as obliging County to support proposals, issue permits, or otherwise act in a manner inconsistent with County's actions under its regulatory powers. It shall not be Unreasonable County Activity if County fails to accelerate the County's customary regulatory permit/approval process. An extension shall be available under this subsection only if all of the following procedures have been followed:

(a) Within a reasonable time under the circumstances, Lessee must notify Director in writing of the specific conduct comprising the alleged Unreasonable County Activity, and the next opportunity, if any, for County to rectify such alleged conduct. If Lessee fails to notify Director in writing as specified in the immediately preceding sentence within five (5) days following Lessee's discovery of the alleged Unreasonable County Activity, then notwithstanding any contrary provision of this subsection 5.7.2, in no event shall Lessee be entitled to an extension for any period of the delay occurring prior to the date of Lessee's notice described in this paragraph (a).

(b) Within seven (7) days following receipt of the notice alleging Unreasonable County Activity, Director shall meet with Lessee or its authorized

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

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

The period of any extension pursuant to this subsection shall be equal to the period of the delay caused by the Unreasonable County Activity. If the Required Construction Commencement Date is extended pursuant to this subsection 5.7.2, then the Required Construction Completion Date shall be extended to the date which is eighteen (18) months after the Required Construction Commencement Date, as so extended.

5.7.3 Delay in Obtaining Permits or Approvals. Except as otherwise provided in subsection 5.7.4, if as of the Required Construction Commencement Date (as it may be extended as provided above), Lessee has not obtained a permit or other approval necessary to the commencement of construction from a regulatory body or agency other than County, or such regulatory body has obtained an injunction preventing the commencement of construction, and such permits, approvals or the removal of such injunction constitute(s) the major remaining impediment to the commencement of construction, then the Required Construction Commencement Date shall be extended to forty-five (45) days after the date upon which such permit is issued or injunction dissolved, provided that (1) Lessee has exhausted and continues to exhaust all commercially reasonable efforts to obtain such approval or permit or dissolution of such injunction, and (2) such extended Required Construction Commencement Date shall not be later than the second (2nd) anniversary of the date of Lessee's exercise of the Option pursuant to the Option Agreement. If the Required Construction Commencement Date is so extended, then the Required Construction Completion Date shall be extended to the date which is eighteen (18) months after the Required Construction Commencement Date, as so extended. The extension provided by this subsection shall be the only extension available in a situation where such permits and/or approvals have not been issued or such regulatory body or agency has obtained such an injunction.

5.7.4 Limitation of Extensions. Notwithstanding the foregoing, Lessee shall not be entitled to any extension unless Lessee had actually been pursuing the

process of obtaining all permits, approvals, financing and other items necessary for the Substantial Commencement of Construction with due diligence, and unless all Improvements specified and plans and specifications submitted by Lessee in connection with any such permit, approval, financing or other item substantially conformed to (i) the Final Redevelopment Work Plans and Specifications, and (ii) the land use laws and regulations and the Local Coastal Plan (except for any required density transfer between Development Zones) existing as of the date of execution of this Lease by Lessee.

5.7.5 Obligation to Pay Rent. Notwithstanding anything to the contrary contained in this Lease, no extension, relaxation or modification of the requirement to Substantially Commence construction of the Redevelopment Work by the Required Construction Commencement Date and complete such Improvements by the Required Construction Completion Date, shall relieve Lessee of its obligation to pay County the Annual Minimum Rent, Percentage Rent and other amounts set forth in Article 4 of this Lease.

~~5.7.6 Failure to Reach Substantial Commencement. Lessee agrees that the primary purpose for County having entered into this Lease is to provide the public with the opportunity to enjoy the Improvements described in the Final Redevelopment Work Plans and Specifications at the earliest practicable date. Therefore, it is understood and agreed that the time period for the Substantial Commencement of Construction shall be strictly enforced (subject to any extensions expressly provided in this Article 5) and should Lessee, or any party claiming through Lessee, fail to meet the conditions for Substantial Commencement of Construction within the terms of this Article 5, then at County's option this Lease shall be amended in accordance with the Reversion Amendment.~~

5.8 Manner of Construction.

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

5.8.2 Utility Work. Any work performed by or on behalf of Lessee or any occupant of the Premises to connect to, repair, relocate, maintain or install any storm

drain, sanitary sewer, water line, gas line, telephone conduit, or any other utility service shall be performed in a manner that minimizes interference with the provision of such services to the Premises and other persons.

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

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

5.8.5 Notice to Director; Damage to County Improvements. Lessee further agrees to keep Director apprised of the progress of the work to the end that Director may, upon at least one (1) Business Day advance notice, timely inspect the Premises to assure proper safeguarding of any County-owned improvements existing on or around the Premises, including but not limited to seawalls, underground conduits and utility lines. If any such County-owned improvement is damaged as a result of construction activity by Lessee or its contractors, Lessee agrees to repair such damage immediately at no cost or expense to County. Lessee shall add the work necessary to repair such damage to the construction schedule for the Redevelopment Work (or other Alteration work, as applicable), and shall complete such repair work in accordance with such schedule; provided that if such damage to County-owned improvements creates a threat to public health and safety or materially adversely affects the condition, appearance or operation of any County-owned improvement or of any other property, then Lessee shall promptly commence the completion of such repair work and complete such repair work as soon as reasonably possible thereafter. In the event that Lessee fails to effectuate such repair in accordance with the foregoing requirements, County may enter upon the Premises to make such repairs, the Actual Cost of which shall be paid by Lessee within five (5) business days after demand by County. This subsection 5.8.5 shall not be deemed to impose upon Lessee any obligation to repair damage to County-owned improvements existing on or around the Premises if such damage was not incurred as a result of Lessee's construction activities.

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

the County in connection with such access. In the event of any emergency which is life-threatening or which involves the threat of potential substantial damage, County shall have the right to enter the Premises immediately and without notice to or accompaniment by Lessee.

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

5.8.8 Final Completion Certificate. Promptly after completion of the Redevelopment Work, the Apartment Renovation Work or the dock renovation work described in subsection 5.2.4 above, upon Lessee's request, County shall execute and deliver to Lessee a final completion certificate (the "Final Completion Certificate") as to the work which is the subject thereof, which shall conclusively evidence the completion of such work by Lessee in accordance with the terms of this Lease.

5.9 Use of Plans. Contracts between Lessee and any architect, design professional or licensed contractor in connection with the construction, alteration or modification of Improvements on the Premises shall provide, in form and content reasonably satisfactory to County, for the assignment thereof to County (and Lessee's Encumbrance Holder(s) if required by Lessee's Encumbrance Holder(s)) as security to County for Lessee's performance hereunder, and County shall be furnished with a copy of any such contract, together with the further agreement of the parties thereto, that if this Lease is terminated by County due to Lessee's default, County (or if County enters into a new Lease with Lessee's Encumbrance Holder pursuant to Article 12, then Lessee's Encumbrance Holder) may, at its election, use any plans and specifications created by such architect, design professional or contractor in connection with the contract, upon the payment of any sums due to any party thereto. County's right to elect to use plans and specifications as described above shall not include the unauthorized right to use any trade marks, trade names or logos of Lessee or any such architect, design professional or contractor. The assignment to County and Lessee's Encumbrance Holder(s) described in this Section 5.9 shall be effective until the Final Completion Certificate for the subject work is issued, and shall be subordinate to the security interest, if any, of Lessee's construction lender in the assigned contract, which subordination shall be in a form reasonably acceptable to Lessee's construction lender.

5.10 Where Director Approval Not Required. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.3) for Alterations (other than the Apartment Renovation Work or any modifications to the Apartment Renovation Work) where all of the following conditions are satisfied: (i) the total cost of the project is less than One Hundred Thousand Dollars ($100,000), adjusted annually to reflect the increase or decrease in the ENR Index from and after the Effective Date (provided, however, that in no event shall such adjustment result in a reduction of the threshold for Director approval to less than One Hundred Thousand Dollars ($100,000); (ii) none of the proposed

construction activity is structural in nature; and, (iii) none of the proposed construction, additions, modifications or changes affect or are visible from the exterior of the Premises; provided, however, that whenever Lessee makes or constructs or permits any improvements in or to the Premises, Lessee shall (a) give written notice thereof (including a description of the work to be done and the permits obtained for such work), and (b) furnish a copy of "as-built" plans upon completion of such work to County.

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

5.11.1 Posting Notices. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of County's interest in the Premises from mechanics' liens or other claims. Lessee shall give County at least ten (10) business days prior written notice of the commencement of any work to be done on the Premises under this Article 5, in order to enable County timely to post such notices.

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

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

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

6. CONDEMNATION.

6.1 Definitions.

6.1.1 Condemnation. "Condemnation" means (1) the exercise by any governmental entity of the power of eminent domain, whether by legal proceedings or otherwise, and (2) a voluntary sale or transfer to any Condemnor (as hereafter defined), either under threat of Condemnation or while legal proceedings for Condemnation are pending.

6.1.2 Date of Taking. "Date of Taking" means the date the Condemnor has the right to possession of the Premises being condemned.

6.1.3 Award. "Award" means all compensation, sums or anything of value awarded, paid or received from a total or partial Condemnation.

6.1.4 Condemnor. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of eminent domain.

6.2 Parties' Rights and Obligations to be Governed by Lease. If, during the Term of this Lease, there is any taking of all or any part of the Premises, any Improvements on the Premises or any interest in this Lease by Condemnation, the rights and obligations of the parties shall be determined pursuant to the provisions of this Article 6.

6.3 Total Taking. If the Premises are totally taken by Condemnation, this Lease shall terminate on the Date of Taking.

6.4 Effect of Partial Taking. If a portion of the Premises or the Improvements thereon are taken by Condemnation, this Lease shall remain in effect, except that Lessee may elect to terminate this Lease if the remaining portion of the Premises are rendered unsuitable (as defined herein) for Lessee's continued use for the purposes contemplated by this Lease. The remaining portion of the Premises shall be deemed unsuitable for Lessee's continued use if, following a reasonable amount of reconstruction (to the extent that funds therefor are available from the anticipated Award), Lessee's business on the Premises could not be operated at an economically feasible level. Lessee must exercise its right to terminate by giving County written notice of its election within ninety (90) days after the nature and extent of the taking and the probable amount of compensation have been determined. Such notice shall also specify the date of termination, which shall not be prior to the Date of Taking. Failure to properly exercise the election provided for in this Section 6.4 will result in this Lease's continuing in full force and effect, except that Annual Minimum Rent shall be abated pursuant to Section 6.5, below.

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

that in case of a taking for temporary use, Lessee shall not be required to effect restoration until such taking is terminated.

6.5 Effect of Partial Taking on Rent. If any portion of the Premises is taken by Condemnation and this Lease remains in full force and effect as to the portion of the Premises not so taken (a "Partial Taking"), the Annual Minimum Rent shall be reduced as of the date of the Partial Taking to an amount equal to the Annual Minimum Rent multiplied by the ratio of the fair market value of the portion of the Premises not so taken to the fair market value of the entire Premises immediately prior to the Partial Taking, but without regard to any diminution in value resulting from the imminent taking. Upon the next Annual Minimum Rent Adjustment Date, as described in Section 4.3 above, if any, for the purposes of adjusting the Annual Minimum Rent, all Annual Minimum Rent and Percentage Rent paid by Lessee to County prior to the date of the Partial Taking shall be adjusted, for the purposes of this calculation only, to the proportion that the fair market value of the portion of the Premises which remains after the taking bears to the fair market value of the entire Premises immediately prior to the taking. If the parties cannot agree upon the appropriate Annual Minimum Rent, the matter shall be settled through arbitration in the manner set forth in Article 16 hereof. Any determinations of fair market value made pursuant to this Section 6.5 in connection with any arbitration proceeding shall be predicated upon the "income approach" or "income capitalization approach" to property valuation, as defined in The Dictionary of Real Estate Appraisal and/or The Appraisal of Real Estate, published by the Appraisal Institute or any successor organization (the "Income Approach"). All other obligations of Lessee under this Lease, including but not limited to the obligation to pay Percentage Rent, shall remain in full force and effect.

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

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

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

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

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

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

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

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

Third: There shall be paid to Lessee an amount equal to the value of Lessee's interest in the remainder of the Term of this Lease, including the value of the ownership interest in and use of the Improvements constructed on the Premises, determined as of the date of such taking, less payments made under paragraph Second above. For such purposes, the Term of this Lease shall not be deemed to have terminated even if Lessee so elects under Section 6.4.

Fourth: The balance shall be paid to County.

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

7. SECURITY DEPOSIT.

7.1 Amount and Use. On or prior to the Effective Date, Lessee shall deliver to County a security deposit (the "Security Deposit") in the amount of one-twelfth (1/12th) of the total Annual Rent that was payable by Lessee for the year immediately preceding the Effective Date. County shall apply the current balance of any security deposit under the Existing Leases as a credit against the Security Deposit required to be delivered by Lessee under this Section 7.1. On or before each of the first ten (10) anniversaries of the Effective Date, Lessee shall deliver to County an additional amount equal to one-tenth (1/10th) of the amount by which $200,000 exceeds the amount of the Security Deposit required as of the Effective Date. As of the tenth (10th) anniversary of the Effective Date and thereafter during the remainder of the Term, the Security Deposit maintained by Lessee with County shall be adjusted as of each January 1 to a sum equal to the greater of (i) $200,000 or (ii) one-twelfth (12th) of the total Annual Rent which was payable by Lessee for the immediately preceding calendar year. The Security Deposit shall secure Lessee's obligations pursuant to this Lease, and may be drawn on by County, in whole or in part, to cover (a) delinquent rent not paid by Lessee within any applicable notice and cure period, and (b) any other Events of Default of Lessee under this Lease. The Security Deposit shall be applied at the discretion of County. Lessee shall have the right to maintain the Security Deposit in form of cash or in lieu or replacement of the cash Security Deposit requirement described above, in the form of a certificate of deposit, letter of credit or other approved investment instrument acceptable to County with respect to form, content and issuer. As long as no Event of Default by Lessee exists under the Lease, Lessee shall be entitled to any interest or other earnings which are actually earned on any unapplied portions of the Security Deposit delivered to County in the form of a certificate of deposit or other approved investment instrument (as opposed to cash, on which Lessee shall not be entitled to interest). Provided that no Event of Default then exists under the Lease, at the end of each Lease Year Lessee shall be entitled to a credit for all unexpended interest accruing to Lessee's benefit with respect to the Security Deposit during such Lease Year pursuant to the immediately preceding sentence. Notwithstanding any contrary provision hereof, County shall have the right at any time to apply any accrued but uncredited interest (which accrued during non-Event of Default periods) against delinquent rents and other amounts owed by Lessee under the Lease.

7.2 Replacement. In the event that some or all of the Security Deposit is drawn against by County and applied against any delinquent rent not paid by Lessee within any applicable notice or cure period, or against other Events of Default of Lessee hereunder, Lessee shall, within ten (10) days after receipt of written notice of the amount so applied and the reasons for such application, deposit sufficient additional funds with County, or cause the issuer of the Letter of Credit to reinstate the letter of credit to its full face amount, so that at all times that this Lease is in effect (other than between the date of the application of funds by County and the expiration of said ten (10) day period), the full amount of the Security Deposit shall be available to County. Failure to maintain and replenish the Security Deposit, if not cured within the time period set forth in subsection 13.1.3, shall constitute an Event of Default hereunder.

7.3 Renewal. Any Letter of Credit procured by Lessee and delivered to County shall provide for notice to County by the issuer thereof no less than sixty (60) days prior to the expiration of the term of such Letter of Credit in the event that the issuer thereof is not irrevocably committed to renew the term of such Letter of Credit. In the event that, thirty (30)

days prior to the expiration of such Letter of Credit, Lessee has not provided County with satisfactory evidence of its renewal or replacement, or has not provided County with adequate replacement security, County may draw down upon the Letter of Credit and hold the funds as security for Lessee's obligations as set forth in this Lease and may apply the funds to cover delinquent rent not paid by Lessee within any applicable notice and cure period and/or any other Event of Default of Lessee under this Lease.

8. INDEMNITY.

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

9. INSURANCE.

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

9.1 Property Insurance. The policy of property insurance shall provide fire insurance with extended coverage, insuring against loss or damage by fire, lightning and the additional perils included in the standard extended coverage endorsement, as well as those included in the "all risk" policy, and burglary and theft insurance, on the structures, Improvements, inventory, trade fixtures, furnishings and equipment used or to be used by Lessee on the Premises. Such insurance shall be in an amount sufficiently adequate to enable the resumption of the leasehold operations by Lessee following the occurrence of any of the risks covered by said insurance. The policy shall provide standard fire and extended coverage insurance, and shall cover vandalism, malicious mischief, and those risks ordinarily defined in "All-Risk coverage." The

policy shall also contain "business interruption", "rental interruption" and/or continuous operation coverage equal to one (1) year's Annual Minimum Rent. During periods of substantial construction on the Premises, Lessee or Lessee's contractor will provide completed value builder's risk insurance reasonably satisfactory to County, together with (i) broad form liability and breach of warranty coverages by endorsement; and (ii) non owned, non hired automotive liability coverage with a policy limit of Two Million and 00/100 Dollars ($2,000,000). Such insurance shall be in an amount equal to one hundred percent (100%) of the full replacement cost of said buildings, structures, equipment, and Improvements (other than those portions of the Improvements which are not capable of being damaged by risks covered under an all risk policy), with a deductible not greater than five percent (5%) of such replacement cost (as such replacement cost is determined by such insurance company and approved by County's risk manager), and shall be placed and maintained with such insurance company or companies and in such form as shall be reasonably satisfactory to County.

9.2 Form of Policy. All such insurance policies, along with their endorsements, shall name the Major Sublessee, if any, County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, as additional insureds and any Encumbrance Holder as loss payee. ~~Upon~~Subject to Section 12.8, upon the occurrence of any loss, the proceeds of such insurance shall be held by County in trust for the named insureds as their interests appear, and shall be disbursed by County on a monthly basis to pay for work completed in accordance with then-prevailing industry custom and practice; provided, however, that if the insurance proceeds received with respect to a loss are less than $500,000 (as adjusted to reflect any increase in the ENR Index during the period from the Effective Date through the date of the loss), the Encumbrance Holder shall have the right to hold and disburse such proceeds to pay the renovation and repair of Improvements in accordance with the terms of the loan agreement or deed of trust with Lessee's Encumbrance Holder. In the event of a loss, Lessee shall be obligated to rebuild or replace the destroyed or damaged buildings, structures, equipment, and Improvements, in accordance with the procedures set forth hereinabove for the initial construction, except as otherwise provided in Article 11 hereof. Any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

Subject to the immediately following grammatical paragraph, a duplicate policy or policies evidencing such insurance coverage, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than five (5) business days after the Effective Date, and such policy or policies shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.

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

Any such policy may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County, taking into account

any additional protection that County reasonably deems prudent to provide for losses related to such other properties.

9.3 Liability Insurance. Lessee shall maintain in full force and effect during the Term of this Lease, comprehensive general liability insurance together with premises operations, products, completed operations, advertising, independent contractor and contractual liability coverages, including liquor liability, with a combined single limit of not less than Ten Million Dollars ($10,000,000) per occurrence, Twenty Million Dollars ($20,000,000) annual aggregate; Lessee agrees that County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers, shall be named as additional insureds under such liability insurance policy or policies.

Subject to Lessee's option to provide a certificate of insurance as set forth below, a duplicate policy or policies evidencing such insurance coverage shall be obtained by Lessee and filed with Director no later than five (5) business days after the Effective Date, and said policy shall provide that such insurance coverage shall not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least thirty (30) days prior to the expiration of any such policy, a policy showing that such insurance coverage has been renewed or extended shall be filed with Director.

The amounts of liability insurance required by this Section shall be subject to renegotiation as of each fifth (5th) anniversary of the Effective Date (each, an "Insurance Renegotiation Date"). If County and Lessee cannot agree upon the amount of insurance by the sixtieth (60th) day preceding an Insurance Renegotiation Date, the matter shall be resolved by binding arbitration in accordance with Article 16. In no event shall the amounts of liability insurance be decreased as a result of such renegotiation or arbitration. Following such renegotiation or arbitration, the parties shall execute an amendment to this Lease setting forth the renegotiated insurance provisions or the arbitration judgment, as appropriate.

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

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

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

9.5 Required Provisions. Lessee's insurance policies required by this Article 9 shall be for a term of not less than one year and shall additionally provide:

(a) that the full amount of any losses to the extent insurance proceeds are available shall be payable to additional insureds notwithstanding any act, omission or negligence of Lessee which might otherwise result in forfeiture of such insurance;

(b) in any property insurance policy, a waiver of all right of subrogation against County and its respective Board of Supervisors and members thereof, and County's officers, agents, employees and volunteers with respect to losses payable under such policies;

(c) in any property insurance policy, that such policies shall not be invalidated should the insured waive, prior to a loss, any or all right of recovery against any party for losses covered by such policies;

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

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

(f) that such policies shall not be suspended, voided, canceled, reduced in coverage or in limits or materially changed without at least thirty (30) days prior written notice to County and all Encumbrance Holders or ten (10) business days in case of cancellation for failure to pay the premium;

(g) that the insurance shall apply separately to each insured against whom a claim is made, except with respect to the overall limits of said insurer's liability; and,

(h) that such policies shall contain no special limitations on the scope of protection afforded to the additional insureds, and no failure to comply with the reporting provisions of such policies shall affect the coverage afforded to such additional insureds.

9.6 Failure to Procure Insurance. Failure of Lessee to procure or renew the herein required insurance shall, if not cured within five (5) days after written notice from County, constitute a default hereunder. In the event of such failure, in addition to the other rights and remedies provided hereunder, County may, at its discretion, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) days after Lessee's receipt of written demand therefor.

10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 Lessee's Maintenance and Repair Obligations. In addition to, and not in derogation or limitation of, any specific obligations of Lessee under Section 5.2.4 of this Lease respecting Lessee's repair and maintenance of the Anchorage Facilities, Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (including the Promenade, but excluding the Excluded Conditions and excluding the Seawall), in conformance with the Minimum Standards regarding the use and occupancy of residential

apartment buildings and marina facilities in Marina del Rey (such as the Premises) as revised from time to time by County in a manner consistent with commercially reasonable maintenance standards applicable to other comparable residential apartment buildings and marina facilities in Marina del Rey (the "Maintenance Standard"). Any dispute as to whether revisions to the Minimum Standards adopted by the County from time to time pursuant to the immediately preceding sentence are commercially reasonable shall be submitted to arbitration pursuant to Article 16 of this Lease. Without limiting the foregoing, at Lessee's sole cost and expense, but subject to the terms and conditions of this Lease, Lessee shall keep and maintain the Premises (including the Promenade) and all equipment, Improvements or physical structures of any kind which may exist or be erected, installed or made on the Premises in good and substantial repair and condition, including without limitation capital improvements and structural and roof repairs and replacement, and shall make all necessary repairs and alterations and replacements thereto, except as otherwise provided in this Article 10. Lessee shall undertake such repairs, alterations or replacements in compliance with Applicable Laws, the Maintenance Standard and the terms and provisions of this Article 10. Lessee shall maintain all Improvements on the Premises (other than the Excluded Conditions and the Seawall) in a safe, clean, wholesome and sanitary condition, in the commercially reasonable judgment of Director, and in compliance with all Applicable Laws. Lessee shall, at its own cost and expense, install, maintain and replace landscaping between the streets abutting the Premises and the building footprints on the Premises as is necessary in the commercially reasonable judgment of the Director to maintain the appearance of the Premises in a manner consistent with the Maintenance Standard. Lessee specifically agrees to provide proper containers for trash and garbage which are screened from public view, to keep the Premises free and clear of rubbish and litter. County in its proprietary capacity shall have the right to enter upon and inspect the Premises at any reasonable time for cleanliness, safety and compliance with this Section 10.1, as long as such entrance is not done in a manner which would unreasonably interfere with the operation of the Premises. The exclusion of the Excluded Conditions and the Seawall from Lessee's maintenance obligations under this Section 10.1 shall not relieve Lessee from the obligation to repair and restore any damage to the Excluded Conditions and/or the Seawall caused by Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee, and Lessee hereby agrees to perform such repair or restoration work at Lessee's sole cost and expense.

10.2 Option to Terminate for Uninsured Casualty. In the event of any damage to or destruction of the Premises, or any Improvements located thereon (other than the Excluded Conditions and the Seawall, except to the extent damage thereto is caused by the Lessee, its agents, employees, subtenants or contractors, or by Improvements constructed by or on behalf of Lessee), Lessee shall, except as otherwise expressly provided in this Section 10.2, promptly (taking into consideration the necessity of obtaining approvals and permits for such reconstruction) repair and/or restore such Improvements to their condition existing prior to the damage or destruction. Except as otherwise expressly provided in this Section 10.2, such obligation to repair and restore is absolute, and is in no way dependent upon the existence or availability of insurance proceeds. Repair and restoration of any damage or destruction shall take place in accordance with the provisions of Article 5. Notwithstanding the foregoing, Lessee shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements on the Premises where all or substantially all of the Improvements on the Premises (other than the Excluded Conditions and the Seawall) are substantially damaged or

destroyed and such damage or destruction resulted from a cause not required to be insured against by this Lease (an "Uninsured Loss"), and where all of the following occur:

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

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

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

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

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

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

between the County and any other lessee in Marina del Rey, or if County in fact maintains or repairs the Seawall for the benefit of any other lessee in Marina del Rey, County shall have the same obligation(s) with respect to the Seawall protecting the Premises. Except as expressly provided in this Section 10.4, County shall have no obligation to maintain or repair the Seawall.

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

10.6 Other Repairs. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.6 and any entry onto the Premises to perform work on the Seawall pursuant to Section 10.4 above, shall be made in accordance with the following requirements: (i) prior to entry onto the Premises County shall cause each of its contractors to provide to Lessee evidence that such contractor has procured commercial general liability insurance coverage pertaining to such contractor's activities on the Premises, which insurance coverage shall be consistent with County's insurance requirements generally applicable to County contractors, and shall name Lessee as an additional insured; (ii) County's contractors shall comply with industry standard safety requirements; (iii) County shall repair, or cause its contractors to repair, any damage to the Premises caused by the activities of County and/or it contractors on the Premises pursuant to this Section 10.6 or Section 10.4 above; and (iv) any entry onto the Premises by County or its contractors for the purpose of performing work pertaining to the Seawall shall be confined to the Promenade and the fire access lane over the Premises, except in extraordinary circumstances to the extent that due to the scope or nature of the work and/or due to safety concerns, the work cannot reasonably be confined to such area. In any such extraordinary situation County and Lessee agree to cooperate to define a work and/or access area that is reasonably acceptable to both parties.

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

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

11. ASSIGNMENT AND SUBLEASE.

11.1 Subleases.

11.1.1 Definition. The term "Sublease" shall mean any lease, license, permit, concession or other interest in the Premises, or a right to use the Premises or a portion thereof, which is conveyed or granted by Lessee to a third party, and which

constitutes less than the unrestricted conveyance of the entire Lessee's interest under this Lease. "Sublessee" shall be the person or entity to whom such right to use is conveyed by a Sublease. A Sublease which grants or conveys to the Sublessee the right to possess or use all or substantially all of the Premises is sometimes referred to in this Lease as a "Major Sublease" and the Sublessee under such agreement is sometimes referred to in this Lease as a "Major Sublessee".

11.1.2 Approval Required. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease or an Approved Apartment/Slip Lease (as defined below), or of any assignment or material amendment of such Sublease, Lessee shall submit a copy of such Sublease (or assignment or amendment thereof), to Director for approval, which approval shall be given or withheld at Director's ~~sole and absolute~~reasonable discretion. To the extent practical, Director shall approve or disapprove said proposed Sublease, amendment or assignment within thirty (30) days after receipt thereof. In no event, however, shall any such Sublease, amendment or assignment be made or become effective without the prior approval of Director. Each such Sublease shall specifically provide that the Sublessee shall comply with all of the terms, covenants, and conditions of this Lease applicable to the portion of the Premises subject to the Sublease.

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

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

11.2 Approval of Assignments and Major Subleases. Except as specifically hereinbefore provided in this Article 11, Lessee shall not, without the prior written consent of County, which shall be based upon factors described in Exhibit J hereto, which is incorporated herein by this reference ("Assignment Standards"), and which shall be applied in a commercially reasonable manner, either directly or indirectly give, assign, hypothecate, encumber, transfer, or

grant control of this Lease or any interest, right, or privilege therein (including without limitation the right to manage or otherwise operate the Improvements located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of the all or substantially all of the Premises. Notwithstanding the foregoing, Lessee shall have the right, without the prior approval of County, to retain E&S Ring Management Company, or another affiliate of a general partner of Lessee, as the property manager for the Premises. Any Change of Ownership that is not an Excluded Transfer shall constitute an assignment of Lessee's interest under this Lease. In addition, for purposes of this provision, the following acts of Lessee shall require the prior written consent of County to be effective: (1) the addition, removal or replacement of one or more general partners or managing members in a Lessee which is a limited partnership or limited liability entity, except (a) by death, insolvency, incapacity, resignation (except for a sole general partner, if any) or removal of a general partner or managing member and his replacement by a vote of the limited partners, the remaining general partners or remaining members, or (b) if any general partner or managing member owning more than fifty percent (50%) of the interests of the partnership or limited liability entity acquires the interest of another general partner or managing member owning fifteen percent (15%) or less of the interests in the partnership or limited liability entity; (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock in a corporation which owns or is a general partner in a partnership owning an interest in this Lease. Lessee shall provide County with any information reasonably requested by County in order to determine whether or not to grant approval of the assignment as provided herein. These same limitations and approval requirements shall apply with respect to the Sublessee's interest under a Major Sublease.

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

11.2.2 Involuntary Transfers Prohibited. Except as otherwise specifically provided in this Lease, neither this Lease nor any of the Lessee's interest in this Lease (as opposed to ownership interests in Lessee itself) shall be assignable or transferable in proceedings in attachment, garnishment, or execution against Lessee, or in voluntary or involuntary proceedings in bankruptcy or insolvency or receivership taken by or against Lessee, or by any process of law including proceedings under the Bankruptcy Act.

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

11.2.3.1 Prior to entering into any agreement requiring the approval of County pursuant to this Sections 11.1 or 11.2, Lessee (or the entity seeking approval of such assignment) shall notify County and deliver to County all information relevant to the proposed assignment, including without limitation any term sheets, letters of intent, draft Major Subleases, any other documents which set forth any proposed agreement regarding the Premises and the information set forth in subsection 11.2.3.5. County will evaluate the information provided to it and County may request additional information as may be

reasonably necessary to act on the request. Under no circumstances will County formally discuss an assignment with any proposed assignee prior to reviewing the proposal with Lessee.

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

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

11.2.3.4 Lessee shall be required to reimburse County for its Actual Costs incurred in connection with the proposed assignment, whether or not County ultimately grants its approval to the proposed assignment.

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

(a) Nature of the Assignee. Full disclosure is required in accordance with this Lease and County's applicant disclosure policy then in effect. Additionally, a flowchart identifying the chain of ownership of the assignee and its decision-making authority shall be provided to County. County shall be advised if the proposed assignee, or any other person or entity for whom disclosure is required pursuant to County's disclosure policy, has had any leasehold or concessionaire's interest canceled or terminated by the landlord due to the tenant or Lessee's breach or default thereunder.

(b) Financial Condition of Assignee. County shall be provided with current, certified financial statements, including balance sheets and profit and loss statements, demonstrating the proposed assignee's financial condition for the preceding five (5) years, or such shorter period that assignee has been in existence. This requirement shall also apply to any related person or entity which will be responsible for or guarantee the obligations of the proposed assignee or provide any funds or credit to such proposed assignee.

(c) Financial Analysis. County shall be provided with the proposed assignee's financing plan for the operation of the Premises (unless the

assignment is pursuant to a Change of Ownership that is an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the financing plan for the operation and improvement of the Premises) and for any contemplated improvement thereof, demonstrating such proposed assignee's financial capability to so operate the Premises and construct such improvements. Such financing plan shall include, but not be limited to, information detailing (1) equity capital; (2) sources and uses of funds; (3) terms of financing; (4) debt service coverage and ratio; and (5) loan to value ratio. The proposed assignee shall also provide County with documentation demonstrating such proposed assignee's financial viability, such as letters of commitment from financial institutions which demonstrate the availability of sufficient funds to complete any proposed construction or improvements on the Premises. Further, such proposed assignee shall authorize the release of financial information to County from financial institutions relating to the proposed assignee or other information supplied in support of the proposed assignment.

(d) Business Plan. County shall be provided with the proposed assignee's business plan for the Premises (unless the assignment is pursuant to a Change of Ownership that constitutes an Excluded Transfer or is pursuant to a Change of Ownership that involves the transfer of only beneficial ownership interests in the constituent owners of Lessee, and following such transfer there is no intended change in the business plan for the Premises), including pro forma financial projections for the Premises for the five (5) year period beginning upon the commencement of the proposed assignment. Such pro forma projections will include capital costs, income and expenses, as well as debt service and all other payments to providers of debt and equity, and will be accompanied by a statement of basic assumptions and an identification of the sources of the data used in the production of such projections.

(e) Assignor's Financial Statements. County shall be provided with certified financial statements, including balance sheets and profits and loss statements concerning the assignor Lessee and its operations for the three (3) most recent years prior to the proposed transaction.

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

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

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

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

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

11.2.4 County Right to Recapture. If Lessee proposes to assign its interest in this Lease or the Premises, or proposes to enter into any Major Sublease affecting the Premises (with either such proposed transaction herein referred to as a "Proposed Transfer"), it shall provide County with written notice of such desire and the sale price ("Lessee Sale Price") at which it is willing to consummate the Proposed Transfer. Within sixty (60) days thereafter, the County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said sixty (60) day period, Lessee may continue to market the interest subject to the Proposed Transfer, provided that such interest is offered subject to County's rights as provided herein. In the event that, prior to the expiration of said sixty (60) day period, County has given notice to Lessee that it has elected to acquire said option, Lessee shall deliver to County an assignable option to purchase the interest subject to the Proposed Transfer ("County Option") at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, County shall pay to Lessee at the expiration of the County Option period (or, at County's

election, credit to Lessee against the next applicable installment(s) of Annual Minimum Rent and Percentage Rent), a sum (the "County Option Price") which represents (i) three percent (3%) of the Lessee Sale Price, plus (ii) seven percent (7%) interest per annum on said three percent (3%) of the Lessee Sale Price, from the date Lessee received notice of County's election to receive the County Option through the date on which the County Option Price, together with interest thereon, is paid or credited in full. If County either (a) fails to elect to cause Lessee to issue the County Option within said sixty (60) day period or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then Lessee shall be entitled to consummate the Proposed Transfer with a third party (subject to County's approval rights as otherwise set forth in this Lease) during the ensuing ~~nine~~eighteen (~~9~~18) month period so long as the actual price for the Proposed Transfer is equal to or greater than the Lessee Sale Price last offered to County and upon no more favorable material terms to the assignee. In the event of a proposed Major Sublease or other permitted assignment of less than all of the Premises, County's election shall pertain to such portion of the Premises subject to the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced and Lessee's obligation to pay Percentage Rent shall pertain only to the amounts derived from the portion of the Premises retained by Lessee. In the event that County elects to recapture all or any portion of the Premises as provided herein, Lessee agrees to execute promptly a termination agreement and such other documentation as may be reasonably necessary to evidence the termination of this Lease, to set a termination date and to prorate rent and other charges with respect to the termination. County's rights pursuant to this subsection 11.2.4 shall not apply to Financing Events or those events identified in subsection 4.6.2 of this Lease.

11.2.5 County Credits Toward Purchase Price. In the event that County or its assignee elects to exercise the County Option, it shall receive the following credits toward the Lessee Sale Price: (1) the Net Proceeds Share which would be payable to County in the event that a third party were to purchase the interest offered at the Lessee Sale Price and (2) an amount which represents unpaid Annual Minimum Rent, Percentage Rent, and all other amounts then due and payable under the Lease, if any (including any amounts that may arise from an audit by County, but that had not been determined as of that date), with late fees and interest as provided herein, from the end of the period most recently subject to County audit through the date of the purchase of the interest by County. In lieu of the credit described in (2) above, Lessee may provide County with a letter of credit or other security satisfactory to County to secure the payment of such unpaid amounts when finally determined by County. During the term of the County Option, Lessee shall cause to be available to County all books and records reasonably necessary in order to determine the amount of such unpaid Annual Minimum Rent, Percentage Rent, and other amounts payable under the Lease. In the event that County or its assignee exercises the County Option, but the transaction fails to close due to a failure of the parties to agree upon an appropriate allowance for such unpaid Annual Minimum Rent, Percentage Rent, and other amounts or appropriate security for the payment thereof, then County shall have no obligation to pay or credit to Lessee the County Option Price.

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

11.4 Family Transfers. Notwithstanding any contrary provision of this Article 11, the County's approval shall not be required, nor shall the County's rights of recapture under subsection 11.2.4 be applicable, with respect to any transfer of ownership interests in Lessee or in constituent entities of Lessee, if such transfer is to a member of the immediate family of the transferor (or to a trust for the benefit of a member of the immediate family of the transferor) for estate planning purposes, whether such transfer is the result of gift, devise, intestate succession or operation of law. Specifically, but without limitation of the foregoing, the County's approval shall not be required, nor shall the County's rights of recapture under subsection 11.2.4 be applicable, with respect to transfers of general partnership or limited partnership interests in Marina Pacific Associates, a successor Lessee or any of their constituent entities, to or among the following (collectively, "Family Members"): The Ellis Ring Trust, the Frances Ring Trust, the Ellis and Francis Ring 1984 Family Trust, CMR, Inc. (as long as the majority of the stock in such corporation is directly or indirectly owned by one or more Family Members), the lineal descendants of Dr. Ellis and Frances Ring, Jerry B. Epstein, the Epstein Family Trust, the Pat and Jerry Epstein Foundation, David Levine and his wife and any of their lineal descendants, and any trust created for the benefit of any of the foregoing.

12. ENCUMBRANCES.

12.1 Financing Events.

12.1.1 Definitions. For the purposes of this Lease, including without limitation the provisions of Sections 4.6 through 4.8 hereof: (i) a "**Financing Event**" shall mean any financing or refinancing consummated by Lessee or by the holders of partnership interests or other direct or indirect ownership interests in Lessee (collectively, "**Ownership Interests**"), whether with private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below); for purposes of Section 12.1.2 below and Sections 4.6 through 4.8 above, a "Financing Event" shall also include all of the foregoing actions involving the granting of a mortgage, deed of trust or other security interest in a Major Sublease; and (ii) an "**Encumbrance**" shall mean any

direct or indirect grant, pledge, assignment, transfer, mortgage, hypothecation, grant of control, grant of security interest, or other encumbrance, of or in all or any portion of (A) Lessee's interest under this Lease and the estate so created (including without limitation a direct or indirect assignment of Lessee's right to receive rents from subtenants) or (B) Ownership Interests if an absolute assignment from the holder of such Ownership Interests to the holder of the Encumbrance would have required County's consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the "**Encumbrance Holder**") as security for a loan. The term "**Encumbrance Holder**" shall also be deemed to include any and all affiliates of such Encumbrance Holder which have succeeded by assignment or otherwise to any rights, interests or liabilities of the Encumbrance Holder with respect to the Encumbrance, or which have been designated by the Encumbrance Holder to exercise any rights or remedies under the Encumbrance or to take title to the leasehold estate under this Lease or to Ownership Interests, and such affiliates shall enjoy all of the rights and protections given to Encumbrance Holders under this Lease. The term "**Equity Encumbrance Holder**" shall mean an Encumbrance Holder holding an Encumbrance with respect to Ownership Interests.

12.1.2 ~~12.1 Financing Events~~County Approval Required. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific conditions which may be reasonably imposed by Director, consummate one or more Financing Event(s) ~~(as defined below)~~. Lessee shall submit to Director a preliminary loan package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment and any other documents, materials or other information reasonably requested by Director. Lessee shall have the right, but not the obligation, to include draft loan documents in the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Redevelopment Work) to grant or withhold approval of the preliminary loan package. Director shall have sixty (60) days (thirty (30) days for the initial construction loan for the Redevelopment Work) after receipt of substantially complete loan documents conforming to the approved preliminary loan package in which to grant or withhold final approval of the Financing Event; provided, however, that if the preliminary loan package included draft loan documents then the foregoing sixty (60) day period shall be reduced to thirty (30) days. If not approved by Director in writing within the foregoing periods, the proposed Financing Event shall be deemed disapproved by Director (and, if so requested in writing by Lessee), Director shall within thirty (30) days of such request deliver to Lessee a written description of Director~~'~~'s objections to said proposed Financing Event). Lessee shall reimburse County for County~~'~~'s Actual Cost incurred in connection with its review of the proposed Financing Event. ~~For~~One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. The same rights and obligations set forth above in this subsection 12.1.2 shall inure to the ~~purposes~~benefit of ~~this Lease, including without limitation the provisions~~and shall be binding upon any holder of ~~Sections 4.6 through 4.8 hereof, a "~~"Ownership Interests with respect to any proposed Financing Event"~~ shall mean any financing or refinancing consummated by Lessee, whether with~~

private or institutional investors or lenders, where such financing or refinancing is an Encumbrance (as defined below) involving Ownership Interests.

12.1.1 Encumbrances

12.2 Consent Requirements In The Event of a Foreclosure Transfer. As used in

12.2.1 Definitions. As used herein, a "**Foreclosure Transfer**" shall mean any transfer of the entire leasehold estate under this Lease, an "Encumbrance" shall be any directLease or indirect grant, assignment, transfer, mortgage, hypothecation, grant of control over, or other monetary encumbrance of all or any portion of of the Ownership Interests in Lessee's interest under this Lease and the estate so created, including without limitation a direct or indirect assignment of Lessee's right to receive rents from subtenants, and a pledge of partnership interests pursuant to any judicial or nonjudicial foreclosure or other enforcement of remedies under or other beneficial ownership interests in Lessee with respect to an Encumbrance, or by the principals of Lessee ifvoluntary deed or other transfer in lieu thereof. A "**Foreclosure Transferee**" shall mean any transferee (including without limitation an absolute assignment from the owner of such beneficial interests to the pledgee would have required County's consent under this Lease, to a lender (upon County approval of the Encumbrance and consummation thereof, the "Encumbrance Holder") on the security of Lessee's) which acquires title to the entire leasehold estate under this Lease or to all of the Ownership Interests in Lessee pursuant to a Foreclosure Transfer. An "**Equity Foreclosure Transferee**" shall mean a Foreclosure Transferee whose acquired interest in the Lease and the Premises, the shares or interestsconsists of all of beneficial ownership in Lessee, or otherwise secured by Lessee's rights the Ownership Interests in and to the Premises. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. These same limitations and approval requirements shall apply with respect to the financing and the Encumbrance Holder of any Major Sublessee's interest pursuant to a Major Sublease.

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

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

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

12.2.3 12.1.2.2 ASubsequent Transfer By Encumbrance Holder. For each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder, with respect to a single subsequent transfer of thethis Lease or a Major Subleasethe Ownership Interests (as applicable) by an Encumbrance Holder who was a purchaser at such foreclosure sale or Encumbrance Holder to any third party, (i) County's consent to

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

12.3 ~~12.1.3~~ Effect of Foreclosure. In the event of a ~~transfer under subsection 12.1.2,~~Foreclosure Transfer, the Encumbrance Holder shall forthwith give notice to County in writing of ~~any~~ such transfer setting forth the name and address of the ~~transferee~~Foreclosure Transferee and the effective date of such transfer, together with a copy of the document by which such transfer was made.

12.3.1 ~~12.1.3.1~~ Any ~~transferee under the provisions of subsection 12.1.2.1 (including~~ Encumbrance Holder~~)~~ which is a commercial bank, savings bank, savings and loan institution, insurance company, pension fund, investment bank, opportunity fund, mortgage conduit, real estate investment trust, commercial finance lender or other similar financial institution which ordinarily engages in the business of making, holding or servicing commercial real estate loans ~~secured by collateral similar to the Premises, or an~~, including any affiliate thereof (~~"~~an "**Institutional Lender**~~"),~~ "), shall ~~be~~ , upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable ~~to~~ to perform ~~the~~ the full obligations ~~of~~ of Lessee ~~under~~ under this Lease (other than Excluded Defaults as defined below) accruing during its period of ownership of the leasehold ~~until a~~ . Upon a subsequent transfer of the leasehold in accordance with subsection 12.2.3 above, such Institutional Lender shall be automatically released of ~~the~~ any further liability with respect to this Lease ~~approved by County. Following the transfer, County shall recognize such transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, provided~~, other than for (i) rent payments, property tax payments, reserve account payments and other monetary obligations under specific terms of the Lease that accrue solely during such ~~transferee cures any pre-existing Event of Default which may be cured by the payment of money, and any other pre-existing Event of Default reasonably susceptible of being cured, and thereafter performs the full obligations of Lessee under this Lease. No transferee~~Institutional Lender's period of ownership of the leasehold, and (ii) Lessee's indemnification obligations under this ~~subsection 12.1.3.1 shall be liable for any of Lessee's obligations under this Lease until~~Lease with respect to matters pertaining to or arising during such ~~transferee has acquired Lessee's interest in this Lease~~Institutional Lender's period of ownership of leasehold title.

~~12.1.3.2 A transferee under subsection 12.1.2.1 which is not an Institutional Lender and any subsequent transferee under the provisions of subsection 12.1.2.2 shall be liable to perform the full obligations of Lessee~~

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Section 12.3.1 above) shall, upon becoming a Foreclosure Transferee (other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults), subject to possible release of liability upon a subsequent transfer pursuant to Section 11.3 above.

12.3.3 Following any Foreclosure Transfer which is a transfer of the leasehold interest under the Lease, County shall recognize the Foreclosure Transferee as the Lessee under the Lease and shall not disturb its use and enjoyment of the Premises, and ~~as a condition to~~ the ~~completion of such transfer must cure, remedy, or correct any Event of Default existing at the time of~~ Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is an incurable non-monetary default, (ii) is a non-monetary default that can only be cured by a prior lessee, (iii) is a non-monetary default that is not reasonably susceptible of being cured by such transferee, or (iv) relates to any obligation of a prior lessee to pay any Net Proceeds Share (collectively, "**Excluded Defaults**"), and thereafter performs the full obligations of Lessee under this Lease. Pursuant to Section 12.3.7 below, following any Foreclosure Transfer which is a transfer ~~or arising thereafter due to an event or occurrence before date of transfer, other than those Events of Default which are not reasonably susceptible~~ of ~~being cured as provided herein.~~ Ownership Interests, the foregoing rights under this Section 12.3.3 shall also inure to the benefit of the Lessee.

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

12.3.5 ~~12.1.3.3 Neither~~No Foreclosure Transfer, and no single subsequent transfer by an Encumbrance Holder following a Foreclosure Transfer pursuant to subsection 12.2.3, shall trigger (i) any obligation to pay an Administrative Charge nor any Net Proceeds Share~~ shall be payable in respect~~, (ii) any acceleration of the Extension Fee or ~~charged against any amount payable~~any other financial obligation of Lessee under ~~the Encumbrance to or for~~ this Lease, (iii) any recapture right on the ~~benefit~~part of ~~the~~ County, or (iv) any termination right under this Lease. Any Foreclosure Transfer, and any single subsequent transfer by an Encumbrance Holder ~~in connection with a transfer pursuant to subsection 12.1.2.~~following a Foreclosure Transfer pursuant to subsection 12.2.3, shall be deemed to be excluded from the definitions of "Change of Ownership" and "Trigger Date" for all purposes of this Lease. For clarification purposes, the "single subsequent transfer" referred to above applies to each Foreclosure Transfer in which the Foreclosure Transferee is an Encumbrance Holder (as more fully explained in Section 12.2.3), so that there may be more than one "single subsequent transfer" benefited by this Section.

~~12.1.3.4 County acknowledges that a transfer of this Lease at a foreclosure sale (or at a judicial foreclosure or voluntary conveyance to the Encumbrance Holder or an affiliate of an Encumbrance Holder in lieu thereof) shall permit the transferee of Lessee's~~

12.3.6 In the event that an Institutional Lender becomes a Foreclosure Transferee, all obligations with respect to the construction and renovation work described in Sections 5.1 or 5.2 above (other than any obligations to make deposits into the Renovation Fund and to pay Imputed Rent) shall be tolled for a period of time, not to exceed twelve months, until such Institutional Lender completes a subsequent transfer of its foreclosed interest in ~~this Lease to succeed to all rights of Lessee under this Lease.~~

~~12.2 Right to Notice and Cure Defaults. All Encumbrance Holders and Major Sublessees shall have the right, at any time during the term of its Encumbrance or Major Sublease, as applicable, but prior to the termination of this Lease, and as further~~the Lease or Ownership Interests, provided ~~in Section 12.4, to do any act or thing required of Lessee in order to prevent termination of Lessee's rights hereunder, and all such acts or things so done hereunder shall be treated by County the same as if performed by Lessee.~~ that such Institutional Lender is making commercially reasonable and diligent efforts to market and sell its foreclosed interest. Nothing in this Section 12.3.6 shall be construed as a limit or outside date on any cure periods provided to Encumbrance Holders under this Lease.

12.3.7 Following a Foreclosure Transfer with respect to all of the Ownership Interests in Lessee, (i) any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease, and (ii) if the Foreclosure Transferee was also an Equity Encumbrance Holder, then any and all rights, privileges and/or liability limitations afforded to Foreclosure Transferees who are Encumbrance Holders in this Article 12 or any other provision of this Lease shall also be afforded to Lessee from and after such Foreclosure Transfer, to the same extent as if the Foreclosure Transferee had acquired the leasehold interest of Lessee directly and became the Lessee under this Lease.

12.4 ~~12.3~~ No Subordination. County~~'~~'s rights in the Premises and this Lease, including without limitation County~~'~~'s right to receive Annual Minimum Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with ~~Section 12.1,~~subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder ~~which are reasonably susceptible of being cured~~(other than Excluded Defaults or as otherwise provided herein).

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

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

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

12.6.2 ~~12.4 Delay in Exercising Termination Remedy~~ Notice of Default. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 5.2.4.4 in the case of emergency situations), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder~~, where the Event of Default is one where notice is required to be given to Lessee pursuant to the terms of this Lease and the Encumbrance Holder and/or Major Sublessee have~~ which has notified Director in writing of its interest in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed ~~below~~herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 5.2.4.4.

12.6.3 ~~12.4.1~~ Manner of Curing Default. Events of Default may be cured by an Encumbrance Holder or Major Sublessee in the following manner:

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

County shall refund said payment (or portion thereof) to such Encumbrance Holder or Major Sublessee.

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

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

(2) ~~(b)~~ With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of ~~said thirty (30) day~~the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, ~~said thirty (30) day~~the initial cure period shall be extended by the time necessary to complete such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, ~~said thirty (30) day~~the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty ~~five~~ (~~35~~30) days after ~~such foreclosure sale and the vesting of title in the purchaser thereat (whether or not such purchaser~~a Foreclosure Transfer is completed, the ~~Encumbrance Holder), said purchaser~~Foreclosure Transferee shall~~, as a condition (if such default has not been cured)~~ commence to ~~the completion of such transfer,~~ cure, remedy or correct the default~~, or commence~~ and thereafter diligently pursue ~~with due diligence, the performance of the thing or acts required to be done~~

tosuch cure~~, correct and remedy said default~~ until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

12.7 New Lease.

12.7.1 ~~(c)~~ Obligation to Enter Into New Lease. In the event that this Lease is terminated by ~~County at~~reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any ~~time by reason~~similar proceedings, operation of ~~a default or Event of~~law, an Excluded Default ~~by Lessee which shall be incurable by~~or other event beyond the reasonable ability of an Encumbrance Holder~~,~~ to cure or ~~by a surrender, cancellation or termination by Lessee~~remedy, or if ~~Lessee shall have rejected or~~the Lease otherwise ~~terminated this Lease pursuant to applicable laws, then,~~ atterminates for any reason, County shall, upon the written request of any Encumbrance Holder~~'~~ with respect to Lessee's ~~election, County shall~~entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder ~~shall~~cures all then existing monetary defaults under this Lease, ~~as a condition~~and agrees to ~~such new lease~~commence a cure of all then existing non-monetary Events of Default ~~which may have existed which can be cured by the payment of money, and agree to cure~~ within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such ~~period of time as reasonably considered by Director to~~cure until completion. In no event, however, shall the Encumbrance Holder be ~~appropriate given the nature of the default, all other events of default which may have existed which are reasonably susceptible of being cured as provided herein~~obligated to cure any Excluded Defaults. County shall notify the most junior Encumbrance Holder~~'~~ of a termination described in this Section 12.7 within thirty (30) days after the occurrence of such termination, which notice shall state (i) that the Lease has terminated in accordance with Section 12.7 of this Lease, and (ii) that such Encumbrance Holder has sixty (60) days following receipt of such notice within which to exercise its right to a new lease under this Section 12.7, or else it will lose such right. An Encumbrance Holder's election shall be made by giving County written notice of such election within ~~ten~~sixty (~~10~~60) days after ~~the event giving rise to~~such Encumbrance Holder~~'s election.~~ has received the above-described written notice from the County. Within a reasonable period after request ~~therefore~~therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder~~'~~'s interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) ~~may on one occasion assign or~~ shall have the same rights to a single transfer ~~its interest to any person or entity without obtaining County's or Director's consent thereto, and Encumbrance Holder (or its affiliate) shall be thereupon relieved of all further liability under the Lease or the new lease accruing after the date of such transfer, and such assignee or transferee shall expressly assume all of the Lessee's obligations thereunder; provided that Encumbrance Holder~~that are provided in subsection 12.2.3 above, and shall

~~remain liable to cure the defaults which existed as of the date of the termination of the prior lease, the cure (or agreement to cure) of which was a condition to the grant~~enjoy all of the ~~new lease.~~other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided, however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within ~~ten~~thirty (~~10~~30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most ~~senior~~junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

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

12.8 Holding of Funds. Any Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee that is an Institutional Lender shall have the right to hold and control the disbursement of (i) any insurance or condemnation proceeds to which Lessee is entitled under this Lease and that are required by the terms of this Lease to be applied to restoration of the improvements on the Premises (provided that such funds shall be used for such restoration in accordance with the requirements of the Lease), and (ii) any funds required to be held in the Renovation Fund (provided that such funds shall be used for the purposes required by this Lease). If more than one such Encumbrance Holder desires to exercise the foregoing right, the most senior Encumbrance Holder shall have priority in the exercise of such right.

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

12.10 Fee Mortgages and Encumbrances. Any mortgage, deed of trust or other similar encumbrance granted by County upon its fee interest in the Premises shall be subject and subordinate to all of the provisions of this Lease and to all Encumbrances. County shall require each such fee encumbrance holder to confirm the same in writing (in a form reasonably approved by each Encumbrance Holder or its title insurer) as a condition to granting such encumbrance, although the foregoing subordination shall be automatic and self-executing whether or not such written confirmation is obtained.

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

12.12 Rights of Encumbrance Holders With Respect to Reversion. As used in this Section 12.12, the "**Reversion**" refers to the automatic amendment of this Lease described in Section 5.1 whereby the terms and conditions of this Lease are automatically amended and revert back to the terms and provisions of the Existing Lease, and a "**Reversion Condition**" refers to any of the conditions under which the Reversion will occur, namely (i) the failure of Lessee to Substantially Commence Construction of the Redevelopment Work on or before the Required Construction Commencement Date, or (ii) the failure of Lessee to substantially complete the Redevelopment Work on or before the Required Construction Completion Date (as such dates may be extended pursuant to Sections 5.6 or 5.7). Notwithstanding anything in Section 5.1 or any other provision of this Lease to the contrary, so long as an Encumbrance Holder exists with respect to Lessee's entire leasehold interest in this Lease or all of the Ownership Interests in Lessee, the Reversion shall not occur unless and until (i) the County has given written notice of the occurrence of the Reversion Condition to each such Encumbrance Holder in accordance with subsection 12.6.2 (which notice shall describe the Reversion Condition that has occurred, and shall include the following statement in all capital and bold letters: "**YOUR FAILURE TO COMMENCE A CURE OF THE DEFAULT DESCRIBE IN THIS NOTICE WITHIN 60 DAYS OF YOUR RECEIPT OF THIS NOTICE, AND TO THEREAFTER PURSUE SUCH CURE TO COMPLETION IN ACCORDANCE WITH THE PROVISIONS OF SUBSECTION 12.6.3(b) OF THE LEASE APPLICABLE TO NONMONETARY DEFAULTS, WILL RESULT IN AN AUTOMATIC AMENDMENT AND REVERSION OF THE TERMS OF THE LEASE BACK TO THE TERMS OF A PRIOR LEASE, AS MORE PARTICULARLY DESCRIBED IN SECTION 5.1 OF THE LEASE**"), and (ii) no such Encumbrance Holder commences a cure of the default within 60 days of its receipt of such notice and thereafter pursues such cure to completion in accordance with the provisions of subsection 12.6.3(b) of the Lease applicable to nonmonetary defaults. Further, in the event that a Reversion occurs, such Reversion shall be subject to the "new lease" provisions of Section 12.7 of the Lease (and in such event the Reversion shall be deemed a "termination" of this Lease solely for purposes of Section 12.7 and the "new lease" to be entered into pursuant to Section 12.7 shall mean a new lease on the same terms as this Lease, not the Existing Lease).

12.13 Acceleration of Extension Fee. So long as (i) no Event of Default exists based on nonpayment of an individual Extension Payment (even if any other Event of Default exists that is not based on nonpayment of an individual Extension payment), or (ii) if an Event of Default exists based on nonpayment of an individual Extension Payment, an Encumbrance Holder, Foreclosure Transferee or the single subsequent transferee of a Foreclosure Transferee pursuant to subsection 12.2.3 cures such Event of Default by paying to County all past-due individual Extension Payments together with any default interest and/or Late Fees that may be owing thereon; then County shall not declare the entire remaining unpaid Extension Fee immediately due and payable, or, if County has previously declared the entire remaining unpaid Extension Fee immediately due and payable, County shall rescind such acceleration and permit the reinstatement of the original payment terms of the Extension Fee (i.e., by annual Extension Payments). Additionally, a transfer of the leasehold estate to a Foreclosure Transferee, or to the

single subsequent transferee of a Foreclosure Transferee pursuant to subsection 12.2.3, shall not constitute a "Triggering Event" and shall not cause an acceleration of the Extension Fee.

12.14 Supplemental Agreement With Initial Encumbrance Holders. County, Lessee, and the initial Encumbrance Holders of this Lease [i.e., (i) LaSalle Bank National Association, as Trustee for Asset Securitization Corporation Commercial Mortgage Pass-Through Certificates, Series 1997-D4, as successor to Nomura Asset Capital Corporation (holder of an Encumbrance which encumbers Lessee's leasehold interests under this Lease) and (ii) General Electric Capital Corporation (holder of an Encumbrance which encumbers all of the Ownership Interests in Lessee)], have entered into a Ground Lessor's Consent and Agreement of substantially even date with this Lease which will be recorded in the Official Records of Los Angeles County, containing (among other things) provisions that alter and supplement certain provisions of this Article 12 and other provisions of the Lease (the "**Ground Lessor's Consent and Agreement**"). For so long as such initial Encumbrances are outstanding, this Article 12 (and any other provisions of this Lease, to the extent applicable) shall be subject to the provisions of the Ground Lessor's Consent and Agreement, and the provisions of the Ground Lessor's Consent and Agreement shall govern in the event of any conflicts with this Lease.

13. DEFAULT.

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

13.1.1 Monetary Defaults. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, Extension Payments, payment of the remaining unpaid Extension Fee on or before the Trigger Date, or deposits to the Renovation Fund), within ~~five~~ten (~~5~~10) days after written notice that said payments are overdue. Lessee may cure such nonpayment by paying the amount overdue, with interest thereon and the applicable Late Fee, if any, within such ~~five~~ten (~~5~~10) day period.

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

13.1.2 ~~13.1.3~~ Maintenance of Security Deposit. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 8 of this Lease if not cured within five (5) days after written notice of such failure.

13.1.3 ~~13.1.4~~ Failure to Perform Other Obligations. The failure of Lessee to keep, perform, and observe any and all other promises, covenants, conditions and agreements set forth in this Lease, including without limitation the obligation to maintain adequate accounting and financial records, within thirty five (35) days after written notice of Lessee's failure to perform from Director; provided, however, that where Lessee's performance of such covenant, condition or agreement is not reasonably susceptible of completion within such thirty five (35) day period and Lessee has in good faith

commenced and is continuing to perform the acts necessary to perform such covenant, condition or agreement within such thirty five (35) day period, County will not exercise any remedy available to it hereunder for so long as Lessee uses reasonable due diligence in continuing to pursue to completion the performance such covenant, condition or agreement and so completes performance within a reasonable time. Notwithstanding any contrary provision of this Section 13.1.3, the proviso set forth in the immediately preceding sentence providing for an extension of the cure period beyond thirty five (35) days shall not be applicable to any failure of Lessee to comply with the Required Construction Commencement Date and/or the Required Construction Completion Date set forth in Section 5.1 above (as such dates may extended pursuant to Sections 5.6 or 5.7, and subject to Section 12.12).

13.1.4 ~~13.1.5~~ Nonuse of Premises. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days after written notice by Lessor, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including ~~13.1.4~~13.1.3 shall be in addition to, and not in lieu of, any notice required under Section 1161 of the California Code of Civil Procedure.

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

13.3 Remedies. Upon the occurrence of an Event of Default, and subject to the rights of any Encumbrance Holder or Major Sublessee to cure such Event of Default as provided in Section 12.4 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

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

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

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

13.4 Damages. Should County elect to terminate this Lease under the provisions of the foregoing Section, County shall be entitled to recover from Lessee as damages:

13.4.1 Unpaid Rent. The worth, at the time of the award, of the unpaid rent that had been earned at the time of termination of this Lease;

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

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

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

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

14. ACCOUNTING.

14.1 Maintenance of Records and Accounting Method. In order to determine the amount of and provide for the payment of the Annual Minimum Rent, Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease, Lessee and all Sublessees shall at all times during the Term of this Lease, and for thirty six (36) months thereafter, keep, or cause to be kept, locally, to the reasonable satisfaction of Director, true, accurate, and complete records and double-entry books of account for the current and five (5) prior Accounting Years, such records to show all transactions relative to the conduct of operations, and to be supported by data of original entry. Such records shall detail transactions conducted on or from the Premises separate and apart from those in connection with Lessee's (or sublessee's or licensee's, as appropriate) other business operations, if any. With respect to the calculation of Gross Receipts and the preparation of the reports and maintenance of records required herein, Lessee shall utilize either: (i) the accrual method of accounting, or (ii) a modified accrual method of accounting, modified in that (A) delinquent rents due from individual tenants (but not corporate tenants) is not accrued, (B) expenses are accrued on an approximate basis (i.e., materiality) each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, and (C) depreciation is calculated on a tax basis rather than a GAAP basis.

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

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

Lessee's obligations set forth in this Section 14.2 include Lessee's obligation to insure that Lessee's sublessees, licensees, permittees, concessionaires and any other occupants of any portion of the Premises keep records sufficient to permit County and County's auditors to determine the proper levels of Annual Minimum Rent, Percentage Rent, Administrative Charge, Net Proceeds Share, Net Refinancing Proceeds and other sums due under this Lease.

14.3 Statement; Payment. No later than the fifteenth (15th) day of each calendar month, Lessee shall render to County a detailed statement showing Gross Receipts during the preceding calendar month, together with its calculation of the amount payable to County under Sections 4.2 through 4.8 inclusive, and shall accompany same with remittance of amount so shown to be due.

14.4 Availability of Records for Inspector's Audit. Books of account and records for the then current and five (5) prior Accounting Years as hereinabove required shall be kept or made available at the Premises or at another location within Los Angeles County, and County and other governmental authorities shall have the right at any reasonable times and on reasonable prior notice to examine and audit said books and records, without restriction, for the purpose of determining the accuracy thereof and of the monthly statements of Gross Receipts derived from occupancy of the Premises and the compliance of Lessee with the terms of this Lease and other governmental requirements. This Section 14.4 shall survive the expiration of the Term or other termination of this Lease for thirty six (36) months after such expiration or termination.

14.4.1 Entry by County. Upon at least one (1) business day advance notice, County and its duly authorized representatives or agents may enter upon the Premises at any and all reasonable times during the Term of this Lease for the purpose of determining whether or not Lessee is complying with the terms and conditions hereof, or for any other purpose incidental to the rights of County.

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

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

14.7 Accounting Year. The term "Accounting Year" as used herein shall mean each year during the Term running from April 1 through the following March 31.

14.8 Annual Financial Statements. Within six (6) months after the end of each Accounting Year, Lessee shall deliver to County the following financial statements: (i) a balance sheet of Lessee as of the end of such Accounting Year, certified by Lessee's chief financial officer as accurately reflecting Lessee's assets and liabilities, which balance sheet shall not be required to be audited, provided that at County's request not more often than every two years, such balance sheet shall be audited by a Certified Public Accountant who is a member of the American Institute of Certified Public Accountants and is satisfactory to County (a "Qualified CPA"); (ii) a profit and loss statement of Lessee for such Accounting Year, audited and certified by a Qualified CPA; and (iii) a Gross Receipts and Percentage Rent statement for such Accounting Year, audited and certified by a Qualified CPA, which statement shall include a certification and unqualified opinion of such Qualified CPA (1) concerning Lessee's Gross Receipts (including a breakdown by category), and (2) that the correct amount of Percentage Rent has been paid to the County in connection with such Gross Receipts. All financial statements prepared by or on behalf of Lessee shall be prepared in a manner that permits County to determine the financial results of operations in connection with Lessee's activities at, from or relating to the Premises, notwithstanding that Lessee may have income and expenses from other activities unrelated to its activities on the Premises.

14.9 Accounting Obligations of Sublessees. Lessee shall cause all sublessees, licensees, concessionaires and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records and the delivery to County of audited certified financial statements and unqualified opinions as to Gross Receipts. County shall provide written notice to Lessee of the failure of any sublessee, concessionaire or other person to comply with this subsection after County's discovery of such failure, and provide Lessee with the right to cure any failure to so comply by payment to County of amounts which may be owing to County, as shown on an audit conducted by County, or on an audit supplied by Lessee or such sublessee, concessionaire or other person and accepted by County, or as otherwise determined pursuant to Section 14.10. In such event County shall permit Lessee to subrogate to any right of County to enforce this provision against such sublessee, concessionaire or other person, to the extent Lessee does not have a direct right of enforcement against sublessee, concessionaire or other person.

14.10 Inadequacy of Records. In the event that Lessee or its sublessees, licensees or concessionaires, as appropriate, fails to keep the records required by this Article 14 such that a Certified Public Accountant is unable to issue an unqualified opinion as to Gross Receipts, such failure shall be deemed a breach of this Lease by Lessee. In addition to the other remedies available to County at law or equity as a result of such breach, County may prepare a calculation of the Percentage Rent payable by Lessee during the period in which the accounting records were inadequately maintained. Such calculation may be based on the past Gross Receipts levels on or from the Premises, the past or present level of Gross Receipts experienced by tenants of comparable leaseholds in Marina del Rey with comparable business operations, or any other method as reasonably determined by Director and shall utilize such methodology as Director deems reasonable. Within five (5) days after receipt of County's determination of Percentage

Rent due, if any, Lessee shall pay such Percentage Rent, together with a late fee of six percent (6%) and interest to the date of payment at the Applicable Rate from the date upon which each unpaid installment of Percentage Rent was due, together with County's Actual Cost in connection with the attempted audit of the inadequate records and the reconstruction and estimation of Gross Receipts and the calculation of Percentage Rent due.

15. MISCELLANEOUS.

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

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

15.3 County Costs. Lessee shall promptly reimburse County for the Actual Costs incurred by County in the review, negotiation, preparation and documentation of this Lease and the term sheets and memoranda that preceded it. The parties acknowledge that Lessee has deposited the sum of _____ dollars ($_____) toward those costs. County shall deliver to Lessee a report detailing such expenditures (along with invoice summaries or other supporting documentation) within ninety (90) days after the Effective Date.

15.4 County Disclosure and Lessee's Waiver.

15.4.1 Disclosures and Waiver.

15.4.1.1 "AS IS". Lessee acknowledges that it is currently in possession of the Premises and that Lessee or its predecessor-in-interest has continuously occupied and/or managed and operated the Premises since 1963. Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

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

15.4.1.3 Lessee hereby waives, withdraws, releases, and relinquishes any and all claims, suits, causes of action (other than a right to terminate as otherwise provided in this Lease), rights of rescission, or charges against County, its officers, agents, employees or volunteers which Lessee now has or may have or asserts in the future which are based upon any defects in the

physical condition of the Premises and the soil thereon and thereunder, regardless of whether or not said conditions were known at the time of the execution of this instrument. The waiver and release set forth in this subsection 15.4.1.3 (i) shall not apply to the Excluded Conditions, and (ii) shall not alter the parties' rights and obligations under the Existing Lease with respect to any abandoned wells or other environmental conditions existing on the Premises as of the Effective Date.

15.4.1.4 California Civil Code Section 1542 provides as follows:

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

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

_____
Lessee's Initials

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

15.5 Holding Over. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent and Percentage Rent in effect at the end of the Term shall be increased to one hundred twenty five percent (125%) of such previously effective amounts. Such holdover shall otherwise be subject to the same terms, conditions, restrictions and provisions as herein contained. Such holding over shall include any time employed by Lessee to remove machines, appliances and other equipment during the time periods herein provided for such removal.

Nothing contained herein shall be construed as consent by County to any holding over by Lessee, and County expressly reserves the right to require Lessee to surrender possession of the Premises to County as provided in this Lease upon the expiration or other termination of this Lease. The provisions of this Section 15.5 shall not be deemed to limit or constitute a waiver of any other rights or remedies of County provided at law or in equity. If Lessee fails to

surrender the Premises upon the termination or expiration of this Lease, in addition to any other liabilities to County accruing therefrom, Lessee shall protect, defend, indemnify and hold County harmless from all losses, costs (including reasonable attorneys' fees), damages, claims and liabilities resulting from such failure, including, without limitation, any claims made by any succeeding tenant arising from such failure to surrender, and any lost profits to County resulting therefrom, provided that County notifies Lessee that Lessee's failure to timely surrender the Premises will cause County to incur such lost profits.

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

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

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

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

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

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

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

Written notice addressed to Lessee at the addresses below-described, or to such other address that Lessee may in writing file with Director, shall be deemed sufficient if said notice is delivered personally, by telecopy or facsimile transmission or, provided in all cases there is a return receipt requested and postage or other delivery charges prepaid, by registered or certified mail posted in the County of Los Angeles, California, Federal Express or DHL, or such other services as Lessee and County may mutually agree upon from time to time. Each notice shall be deemed received and the time period for which a response to any such notice must be given or any action taken with respect thereto (including cure of any prospective Event of Default) shall commence to run from the date of actual receipt of the notice by the addressee thereof in the case of personal delivery, telecopy or facsimile transmission if before 5:00 p.m. on regular business days, or upon the expiration of the third (3rd) business day after such notice is sent from within Los Angeles County in the case of such registered or certified mail as authorized in this Section.

Copies of any written notice to Lessee shall also be simultaneously mailed to any Encumbrance Holder, Major Sublessee or encumbrancer of such Major Sublessee of which County has been given written notice and an address for service. Notice given to Lessee as provided for herein shall be effective as to Lessee notwithstanding the failure to send a copy to such Encumbrance Holder, Major Sublessee or encumbrancer.

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

COUNTY: Director
Department of Beaches and Harbors
Los Angeles County
13837 Fiji Way
Marina del Rey, California 90292
Phone: 310/305-9522
Fax: 310/821-6345

With a Copy to: Office of County Counsel
Los Angeles County
500 West Temple Street
Los Angeles, California 90012
Attn: County Counsel
Phone: 213/974-1801
Fax: 213/617-7182

LESSEE: Marina Pacific Associates
c/o Mr. Jerry B. Epstein
4201 Via Marina
Marina del Rey, California 90292
Phone: 310/823-5384
Fax: 310/301-1710

With a Copy to: CMR, Inc.
c/o Ring Financial
501 Santa Monica Boulevard
Suite 605
Santa Monica, California 90401
Phone: 310/458-0457
Fax: 310/458-9241

and

Cox, Castle & Nicholson LLP
2049 Century Park East
28th Floor
Los Angeles, California 90067
Attention: Ira J. Waldman, Esq.
Phone: 310/277-4222
Fax: 310/277-7889

Either party shall have the right to change its notice address by written notice to the other party of such change in accordance with the provisions of this Section 15.10.

15.11 Interest. In any situation where County has advanced sums on behalf of Lessee pursuant to this Lease, such sums shall be due and payable within five (5) days after Lessee's receipt of written demand, together with interest at the Applicable Rate (unless another rate is

specifically provided herein) from the date such sums were first advanced, until the time payment is received. In the event that Lessee repays sums advanced by County on Lessee's behalf with interest in excess of the maximum rate permitted by Applicable Laws, County shall either refund such excess payment or credit it against subsequent installments of Annual Minimum Rent and Percentage Rent.

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

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

15.14 Amendments. This Lease may only be amended in writing executed by duly authorized officials of Lessee and County. Notwithstanding the foregoing, Director shall have the power to execute such amendments to this Lease as are necessary to implement any arbitration judgment issued pursuant to this Lease. No amendment, other than one implemented through an arbitration judgment, shall be binding upon an Encumbrance Holder as to which County has been notified in writing, unless the consent of such Encumbrance Holder is obtained with respect to such amendment.

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

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

15.17 Estoppel Certificates. Each party agrees to execute, within ten (10) business days after the receipt of a written request therefor from the other party, a certificate stating: (i) that this Lease is in full force and effect and is unmodified (or stating otherwise, if true); (ii) that, to the best knowledge of such party, the other party is not then in default under the terms of this Lease

(or stating the grounds for default if such be the case); and (iii) if requested, the amount of the Security Deposit, Annual Minimum Rent, Percentage Rent and other material economic terms and conditions of this Lease. Prospective purchasers, Major Sublessees and lenders may rely on such statements.

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

15.19 Waterfront Promenade. Lessee shall develop a continuous pedestrian walkway with landscaping, lighting, seating, fencing and other improvements (the "Promenade") as described in Exhibit K. Lessee shall complete the foregoing work by that date which is eighteen (18) months following the Required Construction Completion Date (as such date may be extended as provided in Article 5 above), subject to extension for delays in such completion of the Promenade caused by Force Majeure. No Force Majeure delay shall commence until after Lessee has notified County of the existence of such Force Majeure event. Lessee and Director shall discuss and attempt to agree on the length of any such delay. If they are unable to agree within thirty (30) days after the event or occurrence giving rise to Lessee's claim to such delay, the matter shall be arbitrated as set forth in Article 16. The facilities to be constructed under this Section 15.19 shall be constructed in accordance with the provisions of Article 5. County hereby reserves a public easement for access over and use of the Promenade for fire lane uses, pedestrian purposes and such other related uses (including, if approved by County bicycling, rollerblading and the like) as may be established by the County from time to time, all in accordance with such rules and regulations as are promulgated from time to time by the County regulating such public use. Such public easement shall also include the right to use the restrooms marked on Exhibit K for public use. Lessee shall be responsible for the maintenance and repair of the Promenade in accordance with commercially reasonable maintenance and repair standards for the Promenade established by the County from time to time on a nondiscriminatory basis. The exact legal description of the Premises encumbered by the public easement reserved herein shall be established based upon the final as-built drawings for the Promenade to be delivered by Lessee upon the completion thereof in accordance with the terms and provisions of Article 5 of this Lease. At the request of either party such legal description shall be recorded in the Official Records of the County as a supplement to this Lease.

15.20 Dockmaster. Throughout the Term, Lessee shall maintain a dockmaster program acceptable to County to manage Lessee's anchorage at the Premises.

15.21 Seaworthy Vessels. On or before January 1, April 1, July 1 and October 1 of each year during the Term, Lessee shall deliver to Director a report which contains the following information with respect to every vessel (including floating homes as defined in Title 19 of the Los Angeles County Code) moored within the Premises: (i) the name, address and telephone number of the registered owner (and slip tenant, if other than the registered owner) for each vessel; (ii) the state registration or federal document number, and name (if any), of the vessel; (iii) whether the vessel is a power vessel, sailing vessel or floating home; and (iv) the slip number and length of the vessel, and whether the vessel is presently authorized by Lessee for liveaboard tenancy. In addition, Lessee shall require, and shall certify annually to Director, that

as a condition of slip rental and continued slip tenancy, all new slip tenanted vessels from and after the immediately preceding certification (or in the case of the initial certification, from and after the Effective Date) have been required to pass seaworthiness inspection by the Harbor Patrol within sixty (60) days of such slip rental. Henceforth, all of Lessee's slip leases shall provide that any newly tenanted vessel which is unable to pass such inspection within the required period, or such reasonable extension thereof as may be granted in the Director's sole discretion, shall be ineligible for continued slip tenancy on the leasehold premises and shall be removed therefrom. The requirements of the two preceding sentences shall not be applicable to any vessel which is specifically exempted from seaworthiness requirements by Title 19 of the Los Angeles County Code.

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

16. ARBITRATION.

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

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

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

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

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

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

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

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

(1) Unless the parties otherwise agree, the arbitrator shall appoint a time and place for the hearing and shall cause notice thereof to be served as provided in said §

1282.2 not less than ninety (90) days before the hearing, regardless of the aggregate amount in controversy.

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

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

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

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

(d) if the issue involves Fair Market Rental Value or a valuation matter, a list of all Written Appraisal Evidence (as defined below) each intends to introduce at the hearing, together with complete and correct copies of all of such Written Appraisal Evidence.

(3) No later than twenty (20) days prior to the date set for the hearing, each party may file a reply to the other party's Statement of Position ("Reply"). The Reply shall contain the following information:

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

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

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

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

by either party, the arbitrator establishes a different deadline for delivering true and correct copies of such Written Appraisal Evidence); and

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

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

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

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

(2) If the dispute relates to Improvement Costs, the Statements of Position shall set forth the facts supporting such party's position and the amount of each cost which the party believes should be allowed or disallowed.

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

16.8 Evidence. The provisions of Code of Civil Procedure § 1282.2(a)(2)(E) shall not apply to the arbitration proceeding. The arbitrator shall have no discretion to allow a party to introduce witnesses, documents or Written Appraisal Evidence (other than impeachment testimony) unless such information was previously delivered to the other party in accordance with Section 16.5 and, in the case of Written Appraisal Evidence, substantially complies with the

requirements of Section 16.7, or such evidence consists of a transcript of a deposition of an expert witness conducted pursuant to Section 16.9. Notwithstanding the foregoing, the arbitrator may allow a party to introduce evidence which, in the exercise of reasonable diligence, could not have been delivered to the other party in accordance with Section 16.5, provided such evidence is otherwise permissible hereunder.

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

16.10 Awards of Arbitrators.

16.10.1 Monetary Issues. With respect to monetary disputes (including without limitation disputes regarding Percentage Rent, Fair Market Rental Value and the amount of coverage under the policies of insurance required pursuant to Article 9 of this Lease), the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position. The arbitrator shall instead select whichever of the two Statements of Position is the closest to the monetary or numerical amount that the arbitrator determines to be the appropriate determination of the rent, expense, claim, cost, delay, coverage or other matter in dispute and shall render an award consistent with such Statement of Position. For purposes of this Section 16.10, each dispute regarding Annual Minimum Rent, each category of Percentage Rent and the amount of required insurance coverage shall be considered separate disputes (a "Separate Dispute"). While the arbitrator shall have no right to propose a middle ground or any proposed modification of either Statement of Position concerning a Separate Dispute, the arbitrator shall have the right, if the arbitrator so chooses, to choose one party's Statement of Position on one or more of the Separate Disputes, while selecting the other party's Statement of Position on the remaining Separate Disputes. For example, if the parties are unable to agree on the Annual Minimum Rent and three Percentage Rent categories to be renegotiated pursuant to Section 4.4 and the amount of liability insurance coverage to be renegotiated pursuant to Section 9.3, then there shall be five Separate Disputes and the arbitrator shall be permitted to select the County's Statement of Position with respect to none, some or all of such five Separate Disputes and select the Lessee's Statement of Position, on the balance, if any, of such five Separate Disputes. Upon the arbitrator's selection of a Statement of Position, pursuant to this Article 16, the Statement of Position so chosen and the award rendered by the arbitrator thereon shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.10.2 Nonmonetary Issues. With respect to nonmonetary issues and disputes, the arbitrator shall determine the most appropriate resolution of the issue or dispute, taking into account the Statements of Position submitted by the parties, and shall

render an award accordingly. Such award shall be final and binding upon the parties, absent Gross Error on the part of the arbitrator.

16.11 Powers of Arbitrator. In rendering the award, the arbitrator shall have the power to consult or examine experts or authorities not disclosed by a party pursuant to Section 16.5(2) hereof, provided that each party is afforded the right to cross-examine such expert or rebut such authority.

16.12 Costs of Arbitration. Lessee and County shall equally share the expenses and fees of the arbitrator, together with other expenses of arbitration incurred or approved by the arbitrator. Failure of either party to pay its share of expenses and fees constitutes a material breach of such party's obligations hereunder.

16.13 Amendment to Implement Judgment. Within seven (7) days after the issuance of any award by the arbitrator becomes final, the County will draft a proposed amendment to the Lease setting forth the relevant terms of such award. Within seven (7) days after delivery of a copy of the amendment to Lessee, Lessee will sign the amendment and return the executed copy to the County, which shall thereafter be executed by County as soon as reasonably practicable.

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

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

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

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

17. DEFINITION OF TERMS; INTERPRETATION.

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

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

17.3 Business Days. For the purposes of this Lease, "business day" shall mean a business day as set forth in Section 9 of the California Civil Code, and shall include "Optional Bank Holidays" as defined in Section 7.1 of the California Civil Code.

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

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

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

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

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

17.9 Guest/Water Taxi Docking Slip. Lessee shall make available one (1) docking slip to be reserved for transient boat purposes (the "Transient Slip"). Until such time as otherwise designated by the County, the Transient Slip shall be rented on an hourly or daily basis for guest boat docking purposes. During any future period that a water taxi program is in operation in the Marina, County shall have the right to require that the Transient Slip be made available for water taxi docking purposes. The Transient Slip shall be located at an end-tie location reasonably acceptable to County. Lessee shall make the Transient Slip available for the uses described in this Section 17.9 commencing not later than the completion by Lessee of that portion of the Anchorage Facilities replacement work described in subsection 5.2.4.2 that corresponds to the location of the Transient Slip. The operation of the Transient Slip shall be subject to such security procedures and insurance requirements as are reasonably acceptable to Lessee and County and consistent with those applicable to the operation of the Anchorage Facilities from time to time.

17.10 Tahiti Way Easement. County hereby grants Lessee and its permitted sublessees, successors and assigns under this Lease, a non-exclusive easement for access and roadway purposes in and over the private street commonly known as Tahiti Way ("Tahiti Way") and depicted on Los Angeles County Assessor's Map No. 88, filed in Book 1, Pages 53-70 inclusive, of assessor's maps in the office of the recorder of said county (the "Tahiti Way Easement"). The

Tahiti Way Easement shall be appurtenant to, and co-terminus with, the leasehold interest in the Premises under this Lease. Lessee's rights of access on and over Tahiti Way shall be in common with the access rights of County and any other persons or entities to which County grants access rights from time to time. Lessee shall have no right to install, construct, alter or modify any improvement in Tahiti Way, nor to use the Tahiti Way Easement in any manner that interferes with the use of Tahiti Way by any other person or entity. County reserves all rights in and to Tahiti Way that do not unreasonably interfere with access to and from the Premises, including without limitation, the right to use Tahiti Way for utility and other purposes, the right to re-name Tahiti Way, the right to have Tahiti Way used for public street purposes, the right to grant easements and other rights with respect to Tahiti Way to other persons or entities, and the right to maintain, repair, replace, alter and modify Tahiti Way and the improvements located therein. Lessee acknowledges that from time to time there may be temporary inconveniences associated with any maintenance, repair, replacement or alteration work affecting Tahiti Way and Lessee agrees to cooperate with any such work. County shall perform any alteration or modification work affecting Tahiti Way in a manner that affords Lessee with alternative access to and from the Premises during such work.

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

APPROVED AS TO FORM:

LLOYD W. PELLMAN
COUNTY COUNSEL

By: _____
Deputy

THE COUNTY OF LOS ANGELES

By: _____
Chairman, Board of Supervisors

MARINA PACIFIC ASSOCIATES,
a California limited partnership

By: MARINA GP, LLC, a Delaware limited liability company

By: MPALP, L.P., a California limited partnership, its sole member

~~By:~~ By: CMR, Inc., a California corporation,
its general partner

By:
_____
Joseph A. Marasco~~, President~~

~~By: Epstein Family Trust under Restated Declaration of Trust executed October 15, 2001, its general partner~~

By:
_____

Jerry B. Epstein, Trustee of the Epstein Family Trust under restated declaration of trust dated October 15, 2001, its general partner

By: _____

SIGNATURES CONTINUED ON NEXT PAGE

ATTEST:

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

By: _____
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: _____

EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

[To be added]

Subject to the public easement reserved by Lessor in Section 15.19 of this Lease.

EXHIBIT B

NON-STRUCTURAL SPECIFICATIONS FOR NEW APARTMENTS

[To be added]

EXHIBIT C

CURRENT STATE OF RENOVATION OF EXISTING APARTMENTS

[To be added]

EXHIBIT D

APARTMENT RENOVATION PLAN

[To be added]

EXHIBIT E

RENOVATION PLAN FOR INTERIOR COMMON AREAS

[To be added]

EXHIBIT F

RENOVATION PLAN FOR BUILDING EXTERIOR

[To be added]

EXHIBIT G

RENOVATION PLAN FOR EXTERIOR COMMON AREAS

[To be added]

EXHIBIT H

DOCK RENOVATION PLAN

[To be added]

EXHIBIT I

EXAMPLE OF IMPUTED RENT CALCULATION

Number of Years Since Effective Date		6
Required Number (50 renovated units per year)		300
Number of Total Completed Units		260
Net Shortfall		40
Average monthly per unit rental rate then in effect for New Apartments	$2,500	
Average monthly per unit rental rate then in effect for Existing Apartments	$1,300	
Deemed Monthly Rent Premium		$1,200
Applicable Percentage (10.5%)	.105	
Imputed Rent (Net Shortfall X Deemed Monthly Rent Premium X .105 X 12)		$60,480

EXHIBIT J

ASSIGNMENT STANDARDS

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

1. The proposed transferee must have a net worth determined to be sufficient in relation to the financial obligations of the lessee under the Lease (equal to at least ten (10) times the total Annual Minimum Rent and Percentage Rent due to County for the most recent fiscal). A letter of credit, cash deposit, guarantee from a parent entity or participating individual(s) having sufficient net worth or similar security satisfactory to the County may be substituted for the net worth requirement. If the proposed transferee's net worth is materially less than the transferor's, County may disapprove the assignment or require additional security such as that described in the previous sentence.

2. The proposed assignee must have significant experience in the construction (if contemplated), operation and management of the type(s) of Improvements existing on or to be constructed on the Premises, or provide evidence of contractual arrangements for these services with providers of such services satisfactory to the County. Changes in the providers of such services and changes to the contractual arrangements must be approved by the County. All approvals of the County will not be unreasonably withheld or delayed.

3. The individual or individuals who will acquire Lessee's interest in this Lease or the Premises, or own entity which will so acquire Lessee's interest, irrespective of the tier at which individual ownership is held, must be of good character and reputation and, in any event, shall have neither a history of, nor a reputation for: (1) discriminatory employment practices which violate any federal, state or local law; or (2) non-compliance with environmental laws, or any other legal requirements or formally adopted ordinances or policies of the County.

4. The price to be paid for the Proposed Transfer shall not result in a financing obligation of the proposed transferee which jeopardizes its ability to meet rental obligations to the County. Market debt service coverage ratios and leasehold financial performance, at the time of the Proposed Transfer, will be used by County in making this analysis.

5. If the proposed transferee is an entity, rather than an individual, the structure of the proposed transferee must be such that (or the assignee must agree that) the County will have reasonable approval rights regarding any future direct or indirect transfers of interests in the entity or the applicable lease; provided however, that a transfer of ownership of a publicly held parent corporation of Lessee that is not done primarily as a transfer of this leasehold will not be subject to County approval.

6. The terms of the proposed assignment will not detrimentally affect the efficient operation or management of the leasehold, the Premises or any Improvements thereon.

7. The proposed transferee does not have interests which, when aggregated with all other interests granted by County to such transferee, would violate any policy formally adopted by County restricting the economic concentration of interests granted in the Marina del Rey area, which is uniformly applicable to all Marina del Rey lessees.

8. The transfer otherwise complies with the terms of all ordinances, policies and/or other statements of objectives which are formally adopted by County and/or the County Department of Beaches and Harbors and which are uniformly applicable to persons or entities with rights of occupancy in any portion of Marina del Rey.

EXHIBIT K

DESCRIPTION OF PROMENADE

EXHIBIT L

CONDITIONS TO COASTAL DEVELOPMENT PERMIT

EXHIBIT M

WATER QUALITY MANAGEMENT PROGRAM

EXHIBIT 6

07-22-03/332-101265/SCN

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, Fourth Floor
Costa Mesa, California 92626-1925
Attention: Steven C. Nock, Esquire

(SPACE ABOVE LINE FOR RECORDER'S USE ONLY)

AGREEMENT REGARDING ENCUMBRANCE OF LEASEHOLD ESTATE

THIS AGREEMENT REGARDING ENCUMBRANCE OF LEASEHOLD ESTATE (this "**Agreement**"), dated as of July __, 2003, is made by and among the COUNTY OF LOS ANGELES ("**County**"), MARINA PACIFIC ASSOCIATES, a California limited partnership ("**Lessee**"), LASALLE BANK NATIONAL ASSOCIATION, as Trustee for Asset Securitization Corporation Commercial Mortgage Pass-Through Certificates, Series 1997-D4 ("**LaSalle**"), and GENERAL ELECTRIC CAPITAL CORPORATION, a Delaware corporation ("**GECC**"). LaSalle and GECC are sometimes herein individually referred to as "**Lender**" or collectively as the "**Lenders**".

This Agreement is made with reference to the following facts:

A. County is the current holder of the lessor's interest and Lessee is the current holder of the lessee's interest under that certain ground lease described in Exhibit "A" attached hereto (the "**Lease**"). The Lease covers the real property (the "**Property**") described in Exhibit "B" attached hereto and made a part hereof.

B. LaSalle is the current holder of a loan in the original principal amount of $51,000,000 (the "**LaSalle Loan**"), originally made by Nomura Asset Capital Corporation to Lessee, pursuant to that certain Loan Agreement dated as of September 25, 1996, as modified by that certain unrecorded Amendment, Confirmation and Acknowledgment Agreement of substantially even date herewith (collectively, the "**LaSalle Loan Agreement**") between Nomura Asset Capital Corporation, as lender, and Lessee, as borrower. The LaSalle Loan is secured by Lessee's leasehold interest under the Lease pursuant to that certain Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of September 25, 1996, and recorded on September 27, 1996 as Instrument No. 96-1594878 in the Official Records of Los Angeles County, California (the "**Official Records**"), as modified by that certain First Amendment to Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing recorded substantially concurrently herewith (collectively, the "**LaSalle Deed of Trust**"). The LaSalle Loan Agreement, the LaSalle Deed of Trust, and all other documents evidencing or securing the LaSalle Loan, together with all present and future amendments, modifications, restatements, substitutions and extensions thereto and thereof, are referred to herein as the "**LaSalle Loan Documents**".

C. GECC is making a loan to Lessee substantially concurrently herewith in the original principal amount of $38,000,000 (the "**GECC Loan**"), pursuant to that certain Loan Agreement dated as of July __, 2003 (the "**GECC Loan Agreement**") between GECC, as lender, and Lessee, as borrower. The GECC Loan is secured by (i) Lessee's leasehold interest under the Lease pursuant to that certain Construction Deed of Trust, Security Agreement and Fixture Filing dated as of July __, 2003 (the "**GECC Deed of Trust**") and that certain Assignment of Rents and Leases dated as of July __, 2003 (the "**GECC Assignment**"), each to be recorded in the Official Records substantially concurrently with this Agreement, and (ii) 100% of the membership interests in Lessee (the "**Ownership Interests**") pursuant to that certain Pledge and Security Agreement dated as of July __, 2003 (the "**GECC Pledge Agreement**"). The GECC Loan Agreement, the GECC Deed of Trust, the GECC Assignment, the GECC Pledge Agreement and all other documents evidencing or securing the GECC Loan, together with all present and future amendments, modifications, restatements, substitutions and extensions thereto and thereof, are referred to herein as the "**GECC Loan Documents**". The LaSalle Loan and the GECC Loan are collectively referred to as the "**Loans**".

D. GECC and LaSalle are entering into an Intercreditor Agreement dated as of _____, 2003, which, among other things, (i) confirms that the GECC Loan Documents are junior in priority to the LaSalle Loan Documents, and (ii) sets forth certain agreements between GECC and LaSalle relating to the GECC Loan and the LaSalle Loan and the enforcement of remedies with respect thereto (such Intercreditor Agreement, together with all present and future amendments, modifications, restatements, substitutions and extensions thereto and thereof, is referred to herein as the "**Intercreditor Agreement**")

E. This Agreement is a condition to GECC's making the GECC Loan and a condition to LaSalle's consenting to the GECC Loan and modifying the LaSalle Loan Documents, all on the terms and conditions set forth herein.

F. All capitalized terms used, but not defined, in this Agreement shall have the same definitions that are given to such terms in the Lease.

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent to Encumbrance of Leasehold Estate and Ownership Interests. County hereby consents to (a) the encumbrance of the leasehold estate and all other present and future rights of Lessee in, to and under the Lease and the Property, including all present and future subleases thereunder, in favor of (i) LaSalle pursuant to the LaSalle Loan Documents (including the LaSalle Deed of Trust) and (ii) GECC pursuant to the GECC Loan Documents (including the GECC Deed of Trust), (b) the encumbrance of the Ownership Interests and all rights and privileges appurtenant thereto in favor of GECC pursuant to the GECC Loan Documents (including the GECC Pledge Agreement), and (c) the Intercreditor Agreement.

2. Estoppel. County and Lessee, each for itself only (a "**representing party**"), hereby certify to Lenders that: (a) Exhibit "A" attached hereto accurately identifies the Lease and any and all supplements and amendments thereto, and a true and complete copy thereof has been delivered to Lenders; (b) the Lease is genuine, valid and enforceable in accordance with its terms, is in full force and effect as of the date hereof, and has not been supplemented, modified

or amended (except as may be identified in Exhibit "A"); (c) the representing party has neither given nor received notice of the occurrence of a default under the Lease that has not been cured or waived, and to the best knowledge of the representing party, there are no defaults, breaches, defenses, claims or offsets thereunder or to the enforcement thereof; (d) rent owing under the Lease which is due as of the date of the execution hereof has been paid in full (subject to any County audit rights under the Lease); (e) the term of the Lease expires on March 31, 2062, and there are no options to extend the term; (f) there are no agreements between County and Lessee affecting the Property other than the Lease; (g) all buildings and other improvements required to have been constructed under the Lease prior to the date hereof have been fully completed in accordance with the terms thereof (other than Lessee's obligation to construct "Redevelopment Work" and "Apartment Renovation Work", as such quoted terms are defined in the Lease) and Lessee's obligations under Sections 5.2.4 and 5.2.5; (h) County currently holds Lessee's security deposit in the amount of [$_____]; and (i) County is the current owner of the fee interest in the Property, and County's fee interest in the Property is not currently subject to any deed of trust, mortgage, or other similar monetary lien (other than for real property taxes and assessments);

3. Assignment to Lenders of all Sums Owing to Lessee Under Lease. Lessee has assigned to Lenders (subject to the terms of the Intercreditor Agreement as between the Lenders), as security for the Loan, Lessee's right to receive all sums (including any return of any security deposit or other reimbursable deposits made by Lessee or any insurance or condemnation payments) now or hereafter owing to Lessee under or with respect to the Lease or Lessee's leasehold rights thereunder. Lessee hereby irrevocably authorizes and directs County to pay all such sums directly to Lenders (subject to the terms of the Intercreditor Agreement as between the Lenders).

4. Mortgagee Rights Under Lease. County agrees that (i) LaSalle is an "Encumbrance Holder" as defined in Section 12.1.1 of the Lease with respect to Lessee's entire leasehold interest under the Lease, and is an "Institutional Lender" as defined in Section 12.3.1 of the Lease, and is entitled to all of the rights and privileges provided to Encumbrance Holders and Institutional Lenders in Article 12 and any other applicable provisions of the Lease, and (ii) GECC is an "Encumbrance Holder" as defined in Section 12.1.1 of the Lease with respect to Lessee's entire leasehold interest under the Lease, and is an "Equity Encumbrance Holder" as defined in Section 12.1.1 of the Lease with respect to all of the Ownership Interests in Lessee, and is an "Institutional Lender" as defined in Section 12.3.1 of the Lease, and is entitled to all of the rights and privileges provided to Encumbrance Holders, Equity Encumbrance Holders and Institutional Lenders in Article 12 and any other applicable provisions of the Lease.

5. No Subordination of Leasehold Interest. Unless each Lender otherwise consents in writing in its sole discretion, Lessee's leasehold interest shall not be subordinate to any mortgage or deed of trust hereafter imposed on the fee interest in the Property; and all potential future mortgagees encumbering the fee interest or other lienholders are hereby put on notice that any such fee mortgage or other lien shall be subject and subordinate to the Lease, as modified by this Agreement, and to the rights of each Lender hereunder and under the documents referenced herein.

6. Waiver re Bankruptcy Right of Termination. The parties hereto acknowledge that it has been a material consideration to the Lenders that the Lease not terminate unless and until such a termination is permitted by the express terms of the Lease and this Agreement.

Unless each Lender otherwise consents in writing in its sole discretion, Lessee hereby waives, and agrees not to assert or otherwise take the benefit of, any right it may otherwise have to cause a termination of this Lease by rejection or for any other reason under the United States Bankruptcy Code (11 U.S.C. § 101 et. seq.) or other applicable bankruptcy law. In the event that, notwithstanding such waiver, this Lease is terminated by rejection, then the provisions of Section 7 below shall apply. In the event this Lease is rejected in a bankruptcy of County, the Lenders' liens and rights under their respective Loan Documents and this Agreement shall continue with respect to any and all continuing rights of Lessee in or to the Property under United States Bankruptcy Code Section 365(h), any successor provision thereto, or any similar or other provision of the United States Bankruptcy Code or any other statute or law or otherwise.

7. New Lease. The following provisions in this Section 7 supersede and replace (as between the parties to this Agreement only) the provisions of Section 12.7 of the Lease.

(a) The provisions of this Section 7 shall become applicable in the event that the Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, an Excluded Default or other event beyond the reasonable ability of an Encumbrance Holder to cure or remedy, or if the Lease otherwise terminates for any reason (herein referred to as a "**Lease Termination**"). County shall notify GECC and LaSalle in writing in accordance with Section 9 below within thirty (30) days following the occurrence of any Lease Termination (the "**Termination Notice**").

(b) If a Lease Termination with respect to the Lease occurs at any time that the GECC Loan is outstanding (whether or not the LaSalle Loan is then outstanding), the Lease shall automatically be reinstated as a new lease (the "**New Lease**"), effective as of the date of termination of the Lease, directly between the County and GECC (or any affiliate designated by GECC by written notice to County given within sixty (60) days after GECC receives the Termination Notice), for the then remaining Term of the Lease on the same terms and conditions as shall then be contained in the Lease and this Agreement; provided that, within sixty (60) days after GECC receipt of the Termination Notice, GECC cures all then existing monetary defaults under the Lease and commences to cure any then existing non-monetary Events of Default and thereafter diligently pursues such cure until completed. In no event, however, shall GECC (or its designated affiliate) be obligated to cure any Excluded Defaults. In such event, GECC (or its designated affiliate) and the County shall each promptly execute any further documents reasonably requested by the other to confirm such New Lease (although no such confirmation or new documents shall be necessary for the effectiveness of the New Lease). From and after the effective date of the New Lease, GECC (or its designated affiliate) (i) shall have the same rights with respect to a single subsequent transfer that are provided in subsection 12.2.3 of the Lease (with any subsequent transfer or assignment of the New Lease continuing to be subject to all of the requirements of Article 11 of the New Lease), and (ii) shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in Article 12 or any other applicable provision of the Lease. At any time that the LaSalle Loan remains outstanding, as between County and LaSalle all of the provisions of this Agreement shall continue to apply to the New Lease (and for such purpose, all references herein to the Lease shall be deemed to refer to the New Lease), except to the extent of any change of facts or circumstances. It is the parties' intent and agreement that the New Lease provided for in this Section 7 shall

automatically arise and become binding upon the parties hereto upon a Lease Termination on the terms provided herein without the necessity of any further act or election on the part of any party, and shall not be deemed an executory obligation of any party for purposes of bankruptcy or otherwise.

(c) If GECC (or its designated affiliate) becomes the lessee under a New Lease as provided in subsection 7(b) above, at a time that the LaSalle Loan is outstanding, then GECC (or its designated affiliate) shall automatically be deemed (i) to have assumed the obligations of Lessee under the LaSalle Loan Documents, as then amended to the extent permitted under the terms of the Intercreditor Agreement (but in any event such assumption shall be on a non-recourse basis as currently provided in the LaSalle Loan Documents and shall exclude any and all third party guarantees and indemnities now or hereafter existing), and (ii) to have encumbered GECC's (or its designated affiliate's) leasehold interest in the New Lease as security for the LaSalle Loan pursuant to the terms of the LaSalle Loan Documents. In such event, GECC (or its designated affiliate) and LaSalle shall each promptly execute any further documents reasonably requested by the other to confirm such assumption of the LaSalle Loan and encumbrance of the New Lease (although no such confirmation or new documents shall be necessary for the effectiveness of such assumption and encumbrance). Further, LaSalle shall be deemed to be an Encumbrance Holder of the New Lease, and shall be afforded the same rights and shall have the same obligations with respect to the New Lease that are applicable to GECC with respect to the Lease under subsection 7(b) above.

(d) If a Lease Termination with respect to the Lease occurs at any time that the LaSalle Loan is outstanding and the GECC Loan is no longer outstanding, or if GECC does not comply with the requirements of Subsection 7(b) above in a timely manner, then LaSalle shall be afforded the same rights and shall have the same obligations with respect to the Lease that are applicable to GECC under subsection 7(b) above.

(e) The New Lease arising pursuant to this Section 7 shall be prior to any mortgage, deed of trust or other lien, charge or encumbrance on County's fee interest in the Property, and any holder of any such future mortgage, deed of trust or other lien, charge or encumbrance on the fee interest in the Property is hereby given notice of the provisions hereof. The foregoing sentence does not apply, however, to easements or other non-monetary encumbrances granted by the County on its fee interest (i) to which the Lease was subject and which were permitted under the terms of the Lease, (ii) which do not interfere in any material respect with Lessee's use of the Property in accordance with the terms of the Lease, or (iii) which are approved by the Lenders.

(f) Further, in the event that a Reversion occurs (as described in Section 12.12 of the Lease), the Reversion shall be subject to the provisions of this Section 7 (and in such event the Reversion shall be deemed a "termination" of the Lease solely for purposes of this Section 7 and the "New Lease" to be entered into pursuant to this Section 7 shall mean a New Lease on the same terms as the Lease, not the Existing Lease).

8. No Other Encumbrance Holders Without Lenders' Consent. So long as either the GECC Loan or the LaSalle Loan are outstanding, Lessee shall not create any Encumbrance

(other than the Encumbrances in favor of GECC and LaSalle as described herein), without the prior written approval of both Lenders in their sole discretion. If an Encumbrance Holder acquires any Encumbrance without both Lenders' approval as required above (other than the Encumbrances in favor of GECC and LaSalle as described herein), such Encumbrance Holder shall not have any rights whatsoever under this Agreement or as an Encumbrance Holder under the Lease (including under Section 7 of this Agreement and Section 12.7 of the Lease).

9. Notice Procedure. Any notices required herein shall be given in accordance with the notice provisions set forth in Section 15.10 of the Lease, to the following applicable address:

If to County:	Director Department of Beaches and Harbors Los Angeles County 13837 Fiji Way Marina del Ray, California 90292 Phone: 310/305-9522 Fax: 310/821-6345
With a copy to:	Office of County Counsel Los Angeles County 500 West Temple Street Los Angeles, California 90012 Attn: County Counsel Phone: 213-974-1801 Fax: 213-617-7182
If to Lessee:	Marina Pacific Associates c/o Mr. Jerry B. Epstein 4201 Via Marina Marina del Rey, California 90292 Phone: 310/823-5384 Fax: 310/301-1710
With a copy to:	CMR, Inc. c/o Ring Financial 501 Santa Monica Boulevard Suite 605 Santa Monica, California 90401 Phone: 310/458-0457 Fax: 310/458-9241
and to:	Cox, Castle & Nicholson LLP 2049 Century Park East 28th Floor Los Angeles, California 90067 Attention: Ira J. Waldman, Esq. Phone: 310/277-4222 Fax: 310/277-7889

If to GECC: General Electric Capital Corporation
601 South Figueroa, Suite 3690
Los Angeles, California 90017
Attention: Asset Manager (Marina Harbor–
Loan No. 69-0071029)
Phone: _____
Fax: _____

With a copy to: Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th floor
Costa Mesa, California 92626-1925
Attention: Steven W. Cardoza, Esq.
Phone: 714-513-5100
Fax: 714-513-5130

If to LaSalle: LaSalle National Association, as Trustee for Asset Securitization Corporation Commercial Mortgage Pass-Through Certificates, Series 1997-D4
c/o CapMark Services, L.P.
245 Peachtree Center Avenue, N.E.
Suite 1800
Atlanta, Georgia 30303
Attention: Servicing 1997-D4
Phone: _____
Fax: 404-654-2726

With a copy to: CapMark Services, L.P.
245 Peachtree Center Avenue, N.E.
Suite 1800
Atlanta, Georgia 30303
Attention: General Counsel
Phone: _____
Fax: 404-654-2615

or to such other address as hereafter may be designated by any party hereto in a written notice to all other parties hereto in the manner provided in this Section.

10. Execution of Same Agreement With Subsequent Lender. In the event that a lender (which may be, but need not be, one of the Lenders hereunder) agrees to (a) provide Lessee with a loan to repay the GECC Loan or the LaSalle Loan, or (b) finance all or part of the purchase of Lessee's interest in the Lease (whether such leasehold interest is being sold by Lessee or is sold by a Lender or its nominee following a foreclosure under its Encumbrance), and further provided that all necessary approvals and consents to such loan have been obtained (including the approval of County under 12.1.2 of the Lease and the approval of the Lenders as required under their respective loan documents), then, if requested by such subsequent lender, the parties hereto agree to cooperate with each other in a commercially reasonable manner to enter into an agreement with such subsequent lender substantially similar to this Agreement, taking into account differences in deal structure or other changed facts or circumstances.

11. Estoppel Statements. Each Lender shall have the right to directly request from County and/or Lessee from time to time estoppel certificates pursuant to Section 15.17 of the Lease.

12. Miscellaneous. The parties hereto acknowledge that this Agreement is a material inducement to each Lender to make and/or modify the loans to Lessee that are described herein, and that Lenders would not be willing to make and/or modify such loans to Lessee in the absence hereof. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of County, Lessee, and each Lender, including all successor lessors and lessees under the Lease, all successor holders of the GECC Loan and the LaSalle Loan and any affiliate of any Lender designated to take title to the leasehold estate under the Lease or the Ownership Interests in Lessee pursuant to a foreclosure, deed in lieu of foreclosure or other exercise of remedies under the GECC Loan Documents or the LaSalle Loan Documents. All rights of each Lender hereunder may be assigned by such Lender and shall inure to the benefit of such Lender's successors and assigns (and, in such event, the assigning Lender or its assignee shall give notice of such assignment to the other parties hereto within a reasonable period of time). This Agreement may not be supplemented, modified, amended or terminated without the prior written consent of all parties hereto. In the event of a conflict between the Lease and this Agreement, the provisions of this Agreement shall control. As used herein, "**including**" means "including, but not limited to," and "**include(s)**" means "include(s), without limitation." Notice of acceptance hereof by any party hereto is hereby waived. This Agreement may be executed and recorded in counterparts. This Agreement shall be governed by the laws of the State of California.

13. Representation on Authority of Parties/Signatories. Each party to this Agreement (the "**representing party**") represents and warrants to each other party to this Agreement that the execution and delivery of this Agreement and the performance of the representing party's obligations under this Agreement have been duly authorized and that this Agreement is a valid and legal agreement binding on the representing party and enforceable in accordance with its terms.

14. Continued Effectiveness. Each Lender's rights under this Agreement, and County's obligations and duties to each such Lender under this Agreement, shall continue in effect only until such Lender's Loan is paid and discharged in full (and provided that no foreclosure or deed-in-lieu of foreclosure shall have occurred with respect to such Loan).

15. Lender's Consent. Each Lender consents to the amendment and restatement of the Existing Lease in accordance with the terms of the Lease.

16. Conflict. The Lease shall be determinative of the rights and obligations of and between County and Lessee (and any sublessee or successor to Lessee, other than Lenders as provided in the next sentence). The Lease and this Agreement shall be determinative of the rights and obligations of County, as lessor under the Lease, and Lenders, with respect to the LaSalle Loan and the GECC Loan (including in their capacities as successors to Lessee under the Lease). Notwithstanding any contrary provision of the LaSalle Loan Documents or the GECC Loan Documents, in consenting to the LaSalle Loan and the GECC Loan, County does not change, modify, waive or subordinate any of its rights under the Lease in favor of Lenders, except as expressly set forth in the Lease or this Agreement

[Signatures On Following Pages]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

"County":

THE COUNTY OF LOS ANGELES

By: _____
Chairman, Board of Supervisors

APPROVED AS TO FORM:

LLOYD W. PELLMAN
COUNTY COUNSEL

By: _____
Deputy

ATTEST:

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

By: _____
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: _____

"Lessee":

MARINA PACIFIC ASSOCIATES,
a California limited partnership

By: CMR, Inc, a California corporation,
its general partner

By: _____
Joseph A. Marasco, President

By: Epstein Family Trust under Restated
Declaration of Trust executed
October 15, 2001, its general partner

By: _____
Jerry B. Epstein, Trustee

By: _____
Pat Epstein, Trustee

"LaSalle":

LASALLE BANK NATIONAL ASSOCIATION,
as Trustee for Asset Securitization Corporation
Commercial Mortgage Pass-Through Certificates,
Series 1997-D4

By: CapMark Services, L.P.,
its authorized agent

By: Pearl Mortgage, Inc.,
its general partner

By: _____
Name: _____
Title: Servicing Officer

"GECC":

GENERAL ELECTRIC CAPITAL CORPORATION,
a Delaware corporation

By: _____

_____
[Printed Name and Title]

EXHIBIT "A"

DESCRIPTION OF LEASE

That certain Amended and Restated Lease dated _____, executed by the County of Los Angeles, as Lessor, and by Marina Pacific Associates, a limited partnership, as Lessee, covering County Parcel 111T and County Parcel 112T, with a term that commenced on April 1, 1963 and that will expire on March 31, 2062, created by that upon and subject to the terms, covenants, conditions and provisions therein provided and as provided in that certain Memorandum of said lease recorded _____, 2003 as Instrument No. 03-_____, of Official Records (the "**Amended and Restated Lease**"). The Amended and Restated Lease consolidates, amends and restates in their entirety the following two prior leases:

(i) Lease dated June 10, 1969 executed by the County of Los Angeles, as Lessor, and by Marina Point, Ltd., a limited partnership, as Lessee, upon and subject to the terms, covenants, conditions and provisions therein provided, recorded July 28, 1969 as Instrument No. 3316, of Official Records; as amended by various documents recorded August 27, 1969 as Instrument No. 2007, January 10, 1975 as Instrument No. 3286, January 10, 1975 as Instrument No. 3287, March 19, 1979 as Instrument No. 79-300166, March 23, 1981 as Instrument No. 81-292646 and May 11, 1989 as Instrument No. 89-757618, all of Official Records; and under which, by mesne assignments of record, the Lessee's interest was assigned to Marina Pacific Associates by a document recorded January 30, 1978 as Instrument No. 78-111986, of Official Records (the foregoing lease affected County Parcel 111T only); and

(ii) Lease dated June 10, 1969 executed by the County of Los Angeles as Lessor and by Marina Point Ltd., a limited partnership, as Lessee, upon and subject to the terms, covenants, conditions and provisions therein provided, recorded July 28, 1969 as Instrument No. 3317, of Official Records; as amended by various documents recorded August 27, 1969 as Instrument No. 2007, January 10, 1975 as Instrument No. 3288, January 10, 1975 as Instrument No. 3289, March 19, 1979 as Instrument No. 79-300168 and May 11, 1989 as Instrument No. 89-757631, all of Official Records; and under which, by mesne assignments of record, the lessee's interest was assigned to Marina Pacific Associates by a document recorded January 30, 1978 as Instrument No. 78-111987, of Official Records (the foregoing lease affected County Parcel 112T only).

EXHIBIT "B"

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the City and County of Los Angeles, State of California, more particularly described as follows:

[See Attached Legal Description]

ACKNOWLEDGMENTS

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

ACKNOWLEDGMENTS

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

ACKNOWLEDGMENTS

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

ACKNOWLEDGMENTS

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

STATE OF _____)
) ss:
COUNTY OF _____)

On _____, 2003, before me, _____,

Notary Public, personally appeared _____,

☐ personally known to me or ☐ proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature(s) on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature

Los Angeles County
Beaches & Harbors
Caring for Your Coast

To enrich lives through effective and caring service

August 21, 2003

TO: Small Craft Harbor Commission

FROM: Kerry Gottlieb for Stan Wisniewski, Director

SUBJECT: **ITEM 5a - APPROVAL OF LEASE ASSIGNMENTS FOR PARCEL 12R (DEAUVILLE MARINA) AND PARCEL 15U (BAR HARBOR MARINA)**

Item 5a on your agenda relates to the assignment of Parcels 12R and 15U. The proposed assignments are being implemented to facilitate financing to enable the planned redevelopment of these parcels. The proposed assignments are a reorganization of the lessee's ownership structure only and do not involve a sale of leasehold interests.

The attached Board letter and exhibits provide details relating to the assignments. Your concurrence with my recommendation to the Board of Supervisors is requested.

SW:ak

Attachments

13837 Fiji Way • Marina del Rey • CA 90292 • 310.305.9503 • fax 310.821.6345 • internet: http://beaches.co.la.ca.us

Stan Wisniewski Director • **Kerry Gottlieb** Chief Deputy

August 21, 2003

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

APPROVAL OF LEASE ASSIGNMENTS FOR PARCEL 12R (DEAUVILLE MARINA) AND PARCEL 15U (BAR HARBOR MARINA) – MARINA DEL REY
(4th DISTRICT)
(3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed assignments are categorically exempt under the California Environmental Quality Act pursuant to Class 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines.

2. Approve and authorize the Chair of the Board to sign three copies each of the Consent of County of Los Angeles to Assignment of Lease for Parcel 12R and Consent of County of Los Angeles to Assignment of Lease for Parcel 15U (Consents) from the current lessee, Marina Two Holding Partnership, to Esprit One LLC, a California limited liability company, and Esprit Two LLC, a California limited liability company, respectively.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Marina Two Holding Partnership (MTHP), a California limited partnership, is the lessee of Parcels 12R and 15U in Marina del Rey by virtue of a previous assignment, approved by your Board on December 26, 1984.

On January 4, 2000, your Board approved an Option to Amend Lease Agreements (Option) for both parcels and an Amended and Restated Lease Agreement (Restated Lease) for each parcel, which leases, upon appropriate exercise of the Option, will be extended for an additional 39 years to facilitate construction of a total of 1,022 new apartments and 468 new boat slips, a public promenade around both parcels and other project improvements.

In anticipation of its exercise of the Option and in order to facilitate its project financing, comply with lender requirements and more efficiently administer construction loans and permanent financing associated with planned redevelopment of the two leaseholds, MTHP now seeks to restructure its organization by assigning its interests in each leasehold to separate entities. MTHP is requesting the County's consent to assignment of its leasehold interest in Parcel 12R to Esprit One LLC (Esprit I), a California limited liability company, and assignment of its leasehold interest in Parcel 15U to Esprit Two LLC (Esprit II), a California limited liability company.

Section 22 of the leases for each parcel requires that the County consent to such an assignment and that such consent may not be unreasonably withheld. Departmental policy conditions approval of lease assignments based on the following criteria: (a) the financial condition of the assignee(s); (b) the price to be paid for the leasehold(s) as it relates to the existing development thereon; and (c) management of the leasehold(s) by the new lessee being in the best interests of the Marina as a whole.

Our review has found: 1) a reorganization of the ownership interests in MTHP is necessary to facilitate new financing and the resulting leasehold entities will emerge in appropriate financial condition to operate the leasehold. Additionally, the existing guaranty of leasehold obligations will be replaced by new guarantees for each parcel by the same guarantors as currently guaranty the leaseholds' obligations, Douglas R. Ring, individually, and the Ring-Miscikowski Trust (Guarantors); 2) the proposed transfers are a reorganization of lessee's ownership structure and do not involve a sale of the leaseholds and there is, therefore, no price component involved in the proposed assignments; and 3) the leaseholds will continue to be managed by the current manager, Douglas R. Ring, who has been managing both parcels since 1998.

The Department is requesting your execution of the attached Consents (Exhibits 1 and 2) to the proposed assignments be conditioned by the execution of the attached guarantees (Exhibits 3 and 4) by Guarantors. A diagram (Exhibit 5) has been attached that delineates the existing and proposed structure of ownership of the leaseholds.

Implementation of Strategic Plan Goals

This recommendation is consistent with the County's Strategic Plan Goal of Service Excellence, in that while maintaining appropriate management of the leaseholds and appropriate protection of County interests, it allows transfer of ownership interests that will facilitate financing and construction of new improvements to the leaseholds.

FISCAL IMPACT/FINANCING

There is no financial impact to the County as a result of the assignments.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County entered into two 60-year leases with the lessee's predecessor on September 21, 1962 for Parcel 15U and December 21, 1962 for Parcel 12R. A series of assignments of leasehold interests have taken place since, with the result that the current lessee of both parcels is MTHP. MTHP is a California limited partnership whose general partner is DR15 Company, LLC, a California limited liability company (DR15). The members of DR15 are: Douglas R. Ring, Cynthia A. Miscikowski, and Douglas R. Ring and Cynthia A. Miscikowski as Trustees of the Ring-Miscikowski Trust. Following the proposed assignments to Esprit I and Esprit II, MTHP will become the sole member of both Esprit I and Esprit II and the manager of each of will be Douglas R. Ring. There is no change in the underlying beneficial ownership of the leaseholds.

The leaseholds are currently improved with 408 apartments and 717 boat slips. Redevelopment that will be enabled with consent of these assignments and resulting project financing will improve the properties with 1,022 new apartments, 468 new boat slips, a new promenade and 10,000 square feet of retail space serving the project residents and visitors.

At its meeting of August 27, 2003, the Small Craft Harbor Commission _____the Director's recommendation to execute the Consents. The Consents have been approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION

Approval of the assignments sought herein are categorically exempt under the California Environmental Quality Act pursuant to class 1(r) and 4(j) of the County's Environmental Document Reporting Procedures and Guidelines. The County, acting through the Regional Planning Commission, has previously certified the project final environmental impact report for the proposed landside and waterside redevelopment/replacement contemplated to be performed under the Restated Leases. The California Coastal Commission has issued its final Coastal Development Permit (CDP) for the waterside portion of the project development. The Coastal Commission has also issued a permit subject to conditions for the landside development of the project, which, once the conditions are satisfied, will result in the final approval and issuance of the landside CDP.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not applicable.

CONCLUSION

A separate Consent has been prepared for each lease assignment. Your Board is requested to instruct the Executive Officer, Clerk of the Board to acknowledge the Chair's signature on the attached six copies (three for each parcel) of the Consents and send two copies of each Consent to the Department of Beaches and Harbors.

Respectfully submitted,

Stan Wisniewski, Director

SW:RM:AK:SI

Attachments (5)

c: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel

EXHIBIT 1

CONSENT TO ASSIGNMENT OF LEASE

The COUNTY OF LOS ANGELES (County), lessor under that certain lease No. 6416, dated December 21, 1962, as amended and including that certain Option to Amend Lease Agreements No. 72582, dated January 28, 2000 (hereinafter collectively referred to as Lease), applicable to those certain premises commonly known as Parcel 12R, Marina del Rey Small Craft Harbor, described in the attachment hereto and incorporated herein by this reference, does hereby consent to the assignment of said Lease by the present lessee, MARINA TWO HOLDING PARTNERSHIP, a California limited partnership (Assignor), to Esprit One LLC, a California limited liability company (Assignee), in accordance with that certain Assignment of Lease and that certain Acceptance of Assignment of Lease prepared in connection with the proposed assignment contemplated thereby. It is further understood and agreed that the County's consent to the proposed assignment described herein is subject to the following express conditions:

A. This Consent to Assignment shall be null and void and of no further force or effect, until and unless the assignment above referred to is complete and irrevocable in all respects within 120 days of the date of execution by the County of this Consent to Assignment of Lease and executed copies of the Assignment of Lease and Acceptance of Assignment of Lease have been provided to County's Director of Beaches and Harbors.

B. This Consent to Assignment is contingent upon Assignee's assumption and agreement to perform all obligations past, present and future, created by the terms, covenants and conditions of said Lease on the part of the lessee therein named to be performed.

C. This Consent to Assignment is also contingent upon the execution of the Guaranty of Lease by Douglas R. Ring, an individual, and Douglas R. Ring and Cynthia A. Miscikowski as Trustees of the Ring-Miscikowski Trust in favor of County and delivery of the executed Guaranty of Lease to County's Director of Beaches and Harbors within 120 days of the date of execution by the County of this Consent to Assignment of Lease.

D. Nothing herein shall be deemed to expressly or implicitly modify the terms and conditions of that certain Option to Amend Lease Agreements No. 72582, dated January 28, 2000, and the proposed Amended and Restated Lease Agreement attached thereto.

E. This assignment, having once become complete and irrevocable in all respects, shall thereafter be fully binding upon the Assignee whether or not the Assignor and Assignee have entered into a separate agreement or understanding to which the County is not a party and which provides for or

otherwise purports to affect the assignment, and whether or not in such event any party thereto alleges, claims or otherwise shows or proves that there has been a breach, default, violation, or termination of any such separate agreement.

F. Assignee shall not make any further assignment or sublease of the Lease, nor any portion thereof, without the written consent of County as lessor having first been obtained thereto in accordance with, and to the extent required by, the provisions of the Lease.

Dated this _____ day of _____, 2003.

COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

ATTEST:
VIOLET VARONA-LUKENS,
Executive Officer of
The Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

LLOYD W. PELLMAN

By:_____
Deputy

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. 12R

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

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

DESCRIPTION APPROVED
August 26, 1969
JOHN A. LAMBIE
County Engineer

By _____ Deputy

12cc082103

EXHIBIT 2

CONSENT TO ASSIGNMENT OF LEASE

The COUNTY OF LOS ANGELES (County), lessor under that certain lease No. 6126, dated September 21, 1962, as amended and including that certain Option to Amend Lease Agreements No. 72582, dated January 28, 2000 (hereinafter collectively referred to as Lease), applicable to those certain premises commonly known as Parcel 15U, Marina del Rey Small Craft Harbor, described in the attachment hereto and incorporated herein by this reference, does hereby consent to the assignment of said Lease by the present lessee, MARINA TWO HOLDING PARTNERSHIP, a California limited partnership (Assignor), to Esprit Two LLC, a California limited liability company (Assignee), in accordance with that certain Assignment of Lease and that certain Acceptance of Assignment of Lease prepared in connection with the proposed assignment contemplated thereby. It is further understood and agreed that the County's consent to the proposed assignment described herein is subject to the following express conditions:

A. This Consent to Assignment shall be null and void and of no further force or effect, until and unless the assignment above referred to is complete and irrevocable in all respects within 120 days of the date of execution by the County of this Consent to Assignment of Lease and executed copies of the Assignment of Lease and Acceptance of Assignment of Lease have been provided to County's Director of Beaches and Harbors.

B. This Consent to Assignment is contingent upon Assignee's assumption and agreement to perform all obligations past, present and future, created by the terms, covenants and conditions of said Lease on the part of the lessee therein named to be performed.

C. This Consent to Assignment is also contingent upon the execution of the Guaranty of Lease by Douglas R. Ring, an individual, and Douglas R. Ring and Cynthia A. Miscikowski as Trustees of the Ring-Miscikowski Trust in favor of County and delivery of the executed Guaranty of Lease to County's Director of Beaches and Harbors within 120 days of the date of execution by the County of this Consent to Assignment of Lease.

D. Nothing herein shall be deemed to expressly or implicitly modify the terms and conditions of that certain Option to Amend Lease Agreements No. 72582, dated January 28, 2000, and the proposed Amended and Restated Lease Agreement attached thereto.

E. This assignment, having once become complete and irrevocable in all respects, shall thereafter be fully binding upon the Assignee whether or not the Assignor and Assignee have entered into a separate agreement or understanding to which the County is not a party and which provides for or

otherwise purports to affect the assignment, and whether or not in such event any party thereto alleges, claims or otherwise shows or proves that there has been a breach, default, violation, or termination of any such separate agreement.

F. Assignee shall not make any further assignment or sublease of the Lease, nor any portion thereof, without the written consent of County as lessor having first been obtained thereto in accordance with, and to the extent required by, the provisions of the Lease.

Dated this _____ day of _____, 2003.

COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

ATTEST:
VIOLET VARONA-LUKENS,
Executive Officer of
The Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

LLOYD W. PELLMAN

By:_____
Deputy

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. 15U

Parcels 189 to 225 inclusive, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessor's Map No. 88, filed in Book 1, pages 53 to 70 inclusive, of Assessor's Maps, in the office of the Recorder of said County.

Excepting therefrom that portion thereof within the following described boundaries:

Beginning at the southwesterly corner of said Parcel 189; thence East along the southerly line of said last mentioned parcel to the easterly line of the westerly 3.5 feet of said last mentioned parcel; thence North along said easterly line and its northerly prolongation 731.00 feet to the beginning of a curve concave to the southeast, having a radius of 15 feet, tangent to said northerly prolongation and tangent to a line parallel with and 4 feet southerly, measured at right angles, from the straight line in the northerly boundary of said Parcel 202; thence northeasterly along said curve 23.56 feet to said parallel line; thence East along said parallel line 4.00 feet; thence North 4.00 feet to said northerly boundary; thence westerly, southwesterly and southerly along the northerly, northwesterly and westerly boundaries of said last mentioned parcel to the southwesterly corner of said last mentioned parcel; thence South along the westerly lines of said Parcels 200, 198, 196, 193, 191 and 189 a distance of 600.00 feet to the point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for drainage purposes in and across that portion of above described parcel of land which lies within the northerly 15 feet of the westerly 12 feet of the easterly 22 feet of said Parcel 210.

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

DESCRIPTION APPROVED
JUL 1[illegible]
HARVEY T. BRANDT
County Engineer

By [illegible] Deputy

15cc082103

EXHIBIT 3

GUARANTY OF LEASE

THIS GUARANTY OF LEASE (Guaranty) is executed as of this ____ day of August 2003, by Douglas R. Ring, an individual, and Douglas R. Ring and Cynthia A. Miscikowski as Trustees of the Ring-Miscikowski Trust (collectively, the Guarantors) in favor of the County of Los Angeles (County), with reference to the following facts:

A) Marina Two Holding Partnership, a California limited partnership (MTHP), is the current lessee under that certain lease number 6416, dated December 21, 1962, as amended, made and entered into between the County as lessor and the predecessors in interest of MTHP, covering the leased premises situated in the Marina del Rey Small Craft Harbor of the County of Los Angeles, hereinafter sometimes referred to as Parcel 12R, legally described in the attachment hereto and incorporated herein (the lease, as amended, is hereafter referred to as the Lease).

B) Douglas R. Ring, an individual, and The Ring-Miscikowski Trust, the Guarantors hereunder, have each previously executed a Guaranty of Lease in favor of the County, unconditionally guaranteeing the timely payment of all amounts that MTHP may at any time owe under the Lease.

C) MTHP now proposes to assign its interest in the Lease to Esprit One LLC, a California limited liability company (Esprit I), and County has required the execution and delivery of this Guaranty by Guarantors as a condition to its consent to the aforementioned assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Guarantors hereby agree as follows:

1. Guarantors, and each of them, hereby unconditionally guarantee to County and its successors and assigns the timely payment of all amounts that Esprit I may at any time owe under the Lease, or any extensions, renewals or modifications of the Lease, and further guarantee to County the full, faithful and timely performance by Esprit I of all of the covenants, terms and conditions of the Lease, or any extensions, renewals or modifications of the Lease (collectively, Esprit I's Obligations). If Esprit I shall fail at any time to pay any rent or any other sums, costs or charges whatsoever, or to perform any of the other covenants and obligations of Esprit I under the Lease, then Guarantors, at their expense, shall on demand by County fully and promptly pay all rent, sums, costs and charges to be paid and perform all other covenants and obligations to be performed by Esprit I under or pursuant to the Lease, and in addition shall, on demand by County, pay to County any and all sums due to County, including, without limitation, all interest on past due obligations of Esprit I, costs advanced by County, damages and all expenses incurred by County, including reasonable attorneys' fees and costs that may arise in consequence of Esprit I's default under the Lease and in County's seeking to enforce this Guaranty.

2. The obligations of Guarantors hereunder are independent of the obligations of Esprit I. A separate action or actions may, at County's option, be brought and prosecuted against Guarantors individually or jointly, whether or not an action is first or subsequently brought against Esprit I, or whether or not Esprit I is joined in any such action, and Guarantors may be joined in any action or proceeding commenced by County against Esprit I arising out of, in connection with, or based on the Lease. Guarantors waive any and all surety defenses or other defenses in the nature thereof, including, without limitation, the provisions of California Civil Code Sections 2809, 2810, 2819, 2848, 2839, 2845, 2849, 2850, 2899 and 3433 or any similar, related or successor provisions of law. In addition, Guarantors hereby waive any right to: (a) require County to proceed against Esprit I or any other person or entity or pursue any other remedy in County's power whatsoever; (b) notice of acceptance of this Guaranty; (c) complain of delay in the enforcement of County's rights under the Lease or under this Guaranty; (d) require County to proceed against or exhaust any security held from Esprit I or Guarantors; and (e) require County to apply to any default any security deposit held by County. Guarantors waive any defense arising by reason of any disability or other defense of Esprit I or by reason of the cessation arising from any cause whatsoever of the liability of Esprit I. Guarantors waive all demands upon and notices to Esprit I and to Guarantors, including, without limitation, demands for payment, presentation, protest or performance, and notices of dishonor, nonperformance or nonpayment.

3. Any act of County, or its successors or assigns, consisting of a waiver of any of the terms or conditions of the Lease, or the granting of any indulgences or extensions of time to Esprit I, may be done without notice to Guarantors and without releasing Guarantors from any of their obligations hereunder.

4. Guarantors' liability hereunder shall in no way be affected by: (a) the release or discharge of Esprit I in any creditors' receivership, bankruptcy or other proceeding; (b) the impairment, limitation or modification of the liability of Esprit I or the estate of Esprit I in bankruptcy, or of any remedy for the enforcement of Esprit I's liability under the Lease resulting from the operation of any present or future provision of the Bankruptcy Code or any successor statute or any other statute or from the decision of any court; (c) County's receipt, application or release of any security given for Esprit I's performance and observance of Esprit I's obligations; (d) the rejection or disaffirmance of the Lease or subletting of the premises by Esprit I; (f) the assignment or transfer of the Lease or this Guaranty by County; (g) the exercise by County of any of its rights or remedies reserved under the Lease or by law; or (h) any termination of the Lease except by expiration at the end of the lease term pursuant to its terms. Notwithstanding the foregoing, Guarantors' obligations under this Guaranty shall not extend to any approved assignee of Esprit I, as lessee under the Lease, following the County's approval of such assignee and the effective date of such assignment.

5. County and Esprit I shall have the right to modify, amend, supplement or change any of the terms, provisions, covenants or conditions contained in the Lease, including, without limitation, any increase in the rental or other charges payable thereunder, or renew or extend the term of the Lease, without giving notice thereof to Guarantors, and Guarantors' liability hereunder shall in no way be affected thereby. Guarantors' obligations hereunder shall include such modifications, amendments, changes, supplements, renewals or extensions of the Lease.

6. Until all of Esprit I's Obligations are fully performed and observed: (a) Guarantors shall have no right of subrogation against Esprit I by reason of any payments or acts of performance by Guarantors hereunder; and (b) Guarantors hereby subordinate any liability or the indebtedness of MTHP now or hereafter held by Guarantors to the obligations of Esprit I to County under the Lease.

7. Guarantors acknowledge that individually and collectively they will receive substantial benefits by County's consent to the assignment described in Recital C of this Guaranty and that County would not have agreed to said assignment absent this Guaranty and that such consent by County constitutes good and valuable consideration for the Guaranty.

8. This instrument constitutes the entire agreement between County and Guarantors with respect to the subject matter hereof.

9. This Guaranty shall be governed by and construed in accordance with the laws of the State of California.

10. Should County desire to give any notice to Guarantors, such notice shall be in writing and may be given by personal service or by mail, postage prepaid, to Guarantors, at their addresses indicated below. Guarantors may, by written notice to County, designate different addresses for notice purposes. Any notice sent by mail shall be deemed delivered within three (3) business days after mailing.

11. In the event of any action or proceeding to interpret or enforce the provisions of this Guaranty, the prevailing party in such action or proceeding shall be entitled to recover from the other party all of their costs and expenses relating thereto, including without limitation, reasonable attorneys' fees approved by the Court.

12. County may assign this Guaranty, in whole or part, without notice, in connection with the sale, transfer, or assignment of its interest in the Lease. Upon any such transfer or sale of the subject real property, or the assignment of the Lease by County, or upon the transfer of the Lease otherwise by operation of law, this Guaranty shall pass to and may be enforced by any such transferee.

13. If all or any portion of the obligations guaranteed hereunder are paid or performed, Guarantors' obligations hereunder shall continue and remain in full force and effect in the event that all or any part of such payment or performance is avoided or recovered directly or indirectly from County as a preference, fraudulent transfer or otherwise, irrespective of: (a) any notice of revocation given by Guarantors prior to such avoidance or recovery; and (b) full performance under the Lease.

14. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without County's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective.

15. This Guaranty shall inure to the benefit of County and its successors and assigns and shall bind Guarantors and Guarantors' respective heirs, executors, administrators, successors and assigns.

16. Guarantors' obligations under this Guaranty are both individual and collective, and each of them is fully liable to perform all of the obligations of the Guarantors hereunder.

17. For purposes of this Guaranty the addresses of Guarantors are:

Douglas R. Ring:	11377 West Olympic Blvd. Box 13 Los Angeles, CA 90064
Douglas R. Ring, Trustee: Cynthia A. Miscikowski, Trustee Ring-Miscikowski Trust:	11377 West Olympic Blvd. Box 13 Los Angeles, CA 90064

IN WITNESS WHEREOF, Guarantors have executed this Guaranty as of the date first written above.

GUARANTORS

Douglas R. Ring, an Individual

_____
Douglas R. Ring

The Ring-Miscikowski Trust

By: _____
Douglas R. Ring, Trustee

By: _____
Cynthia A. Miscikowski, Trustee

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. 12R

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

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

DESCRIPTION APPROVED
August 26, 1969
JOHN A. LAMBIE
County Engineer

By _____ Deputy

12gt081903

EXHIBIT 4

GUARANTY OF LEASE

THIS GUARANTY OF LEASE (Guaranty) is executed as of this ____ day of August 2003, by Douglas R. Ring, an individual and Douglas R. Ring and Cynthia A. Miscikowski as Trustees of the Ring-Miscikowski Trust (collectively, the Guarantors) in favor of the County of Los Angeles (County), with reference to the following facts:

A) Marina Two Holding Partnership, a California limited partnership (MTHP), is the current lessee under that certain lease number 6126, dated September 21, 1962, as amended, made and entered into between the County as lessor and the predecessors in interest of MTHP, covering the leased premises situated in the Marina del Rey Small Craft Harbor of the County of Los Angeles, hereinafter sometimes referred to as Parcel 15U, legally described in the attachment hereto and incorporated herein (the lease, as amended, is hereafter referred to as the Lease).

B) Douglas R. Ring, an individual, and The Ring-Miscikowski Trust, the Guarantors hereunder, have each previously executed a Guaranty of Lease in favor of the County, unconditionally guaranteeing the timely payment of all amounts that MTHP may at any time owe under the Lease.

C) MTHP now proposes to assign its interest in the Lease to Esprit II, LLC, a California limited liability company (Esprit II), and County has required the execution and delivery of this Guaranty by Guarantors as a condition to its consent to the aforementioned assignment.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Guarantors hereby agree as follows:

1. Guarantors, and each of them, hereby unconditionally guarantee to County and its successors and assigns the timely payment of all amounts that Esprit II may at any time owe under the Lease, or any extensions, renewals or modifications of the Lease, and further guarantee to County the full, faithful and timely performance by Esprit II of all of the covenants, terms and conditions of the Lease, or any extensions, renewals or modifications of the Lease (collectively, Esprit II's Obligations). If Esprit II shall fail at any time to pay any rent or any other sums, costs or charges whatsoever, or to perform any of the other covenants and obligations of Esprit II under the Lease, then Guarantors, at their expense, shall on demand by County fully and promptly pay all rent, sums, costs and charges to be paid and perform all other covenants and obligations to be performed by Esprit II under or pursuant to the Lease, and in addition shall, on demand by County, pay to County any and all sums due to County, including, without limitation, all interest on past due obligations of Esprit II, costs advanced by County, damages and all expenses incurred by County, including reasonable attorneys' fees and costs that may arise in consequence of Esprit II's default under the Lease and in County's seeking to enforce this Guaranty.

2. The obligations of Guarantors hereunder are independent of the obligations of Esprit II. A separate action or actions may, at County's option, be brought and prosecuted against Guarantors individually or jointly, whether or not an action is first or subsequently brought against Esprit II, or whether or not Esprit II is joined in any such action, and Guarantors may be joined in any action or proceeding commenced by County against Esprit II arising out of, in connection with, or based on the Lease. Guarantors waive any and all surety defenses or other defenses in the nature thereof, including, without limitation, the provisions of California Civil Code Sections 2809, 2810, 2819, 2848, 2839, 2845, 2849, 2850, 2899 and 3433 or any similar, related or successor provisions of law. In addition, Guarantors hereby waive any right to: (a) require County to proceed against Esprit II or any other person or entity or pursue any other remedy in County's power whatsoever; (b) notice of acceptance of this Guaranty; (c) complain of delay in the enforcement of County's rights under the Lease or under this Guaranty; (d) require County to proceed against or exhaust any security held from Esprit II or Guarantors; and (e) require County to apply to any default any security deposit held by County. Guarantors waive any defense arising by reason of any disability or other defense of Esprit II or by reason of the cessation arising from any cause whatsoever of the liability of Esprit II. Guarantors waive all demands upon and notices to Esprit II and to Guarantors, including, without limitation, demands for payment, presentation, protest or performance, and notices of dishonor, nonperformance or nonpayment.

3. Any act of County, or its successors or assigns, consisting of a waiver of any of the terms or conditions of the Lease, or the granting of any indulgences or extensions of time to Esprit II, may be done without notice to Guarantors and without releasing Guarantors from any of their obligations hereunder.

4. Guarantors' liability hereunder shall in no way be affected by: (a) the release or discharge of Esprit II in any creditors' receivership, bankruptcy or other proceeding; (b) the impairment, limitation or modification of the liability of Esprit II or the estate of Esprit II in bankruptcy, or of any remedy for the enforcement of Esprit II's liability under the Lease resulting from the operation of any present or future provision of the Bankruptcy Code or any successor statute or any other statute or from the decision of any court; (c) County's receipt, application or release of any security given for Esprit II's performance and observance of Esprit II's obligations; (d) the rejection or disaffirmance of the Lease or subletting of the premises by Esprit II; (f) the assignment or transfer of the Lease or this Guaranty by County; (g) the exercise by County of any of its rights or remedies reserved under the Lease or by law; or (h) any termination of the Lease except by expiration at the end of the lease term pursuant to its terms. Notwithstanding the foregoing, Guarantors' obligations under this Guaranty shall not extend to any approved assignee of Esprit II, as lessee under the Lease, following the County's approval of such assignee and the effective date of such assignment.

5. County and Esprit II shall have the right to modify, amend, supplement or change any of the terms, provisions, covenants or conditions contained in the Lease, including, without limitation, any increase in the rental or other charges payable thereunder, or renew or extend the term of the Lease, without giving notice thereof to Guarantors, and Guarantors' liability hereunder shall in no way be affected thereby. Guarantors' obligations hereunder shall include such modifications, amendments, changes, supplements, renewals or extensions of the Lease.

6. Until all of Esprit II's Obligations are fully performed and observed: (a) Guarantors shall have no right of subrogation against Esprit II by reason of any payments or acts of performance by Guarantors hereunder; and (b) Guarantors hereby subordinate any liability or the indebtedness of MTHP now or hereafter held by Guarantors to the obligations of Esprit II to County under the Lease.

7. Guarantors acknowledge that individually and collectively they will receive substantial benefits by County's consent to the assignment described in Recital C of this Guaranty and that County would not have agreed to said assignment absent this Guaranty and that such consent by County constitutes good and valuable consideration for the Guaranty.

8. This instrument constitutes the entire agreement between County and Guarantors with respect to the subject matter hereof.

9. This Guaranty shall be governed by and construed in accordance with the laws of the State of California.

10. Should County desire to give any notice to Guarantors, such notice shall be in writing and may be given by personal service or by mail, postage prepaid, to Guarantors, at their addresses indicated below. Guarantors may, by written notice to County, designate different addresses for notice purposes. Any notice sent by mail shall be deemed delivered within three (3) business days after mailing.

11. In the event of any action or proceeding to interpret or enforce the provisions of this Guaranty, the prevailing party in such action or proceeding shall be entitled to recover from the other party all of their costs and expenses relating thereto, including without limitation, reasonable attorneys' fees approved by the Court.

12. County may assign this Guaranty, in whole or part, without notice, in connection with the sale, transfer, or assignment of its interest in the Lease. Upon any such transfer or sale of the subject real property, or the assignment of the Lease by County, or upon the transfer of the Lease otherwise by operation of law, this Guaranty shall pass to and may be enforced by any such transferee.

13. If all or any portion of the obligations guaranteed hereunder are paid or performed, Guarantors' obligations hereunder shall continue and remain in full force and effect in the event that all or any part of such payment or performance is avoided or recovered directly or indirectly from County as a preference, fraudulent transfer or otherwise, irrespective of: (a) any notice of revocation given by Guarantors prior to such avoidance or recovery; and (b) full performance under the Lease.

14. No terms or provisions of this Guaranty may be changed, waived, revoked or amended without County's prior written consent. Should any provision of this Guaranty be determined by a court of competent jurisdiction to be unenforceable, all of the other provisions shall remain effective.

15. This Guaranty shall inure to the benefit of County and its successors and assigns and shall bind Guarantors and Guarantors' respective heirs, executors, administrators, successors and assigns.

16. Guarantors' obligations under this Guaranty are both individual and collective, and each of them is fully liable to perform all of the obligations of the Guarantors hereunder.

17. For purposes of this Guaranty the addresses of Guarantors are:

Douglas R. Ring:	11377 West Olympic Blvd. Box 13 Los Angeles, CA 90064
Douglas R. Ring, Trustee: Cynthia A. Miscikowski, Trustee Ring-Miscikowski Trust:	11377 West Olympic Blvd. Box 13 Los Angeles, CA 90064

IN WITNESS WHEREOF, Guarantors have executed this Guaranty as of the date first written above.

GUARANTORS

Douglas R. Ring, an Individual

_____
Douglas R. Ring

The Ring-Miscikowski Trust

By: _____
Douglas R. Ring, Trustee

By: _____
Cynthia A. Miscikowski, Trustee

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. 15U

Parcels 189 to 225 inclusive, in the County of Los Angeles, State of California, as shown on Los Angeles County Assessor's Map No. 88, filed in Book 1, pages 53 to 70 inclusive, of Assessor's Maps, in the office of the Recorder of said County.

Excepting therefrom that portion thereof within the following described boundaries:

Beginning at the southwesterly corner of said Parcel 189; thence East along the southerly line of said last mentioned parcel to the easterly line of the westerly 3.5 feet of said last mentioned parcel; thence North along said easterly line and its northerly prolongation 731.00 feet to the beginning of a curve concave to the southeast, having a radius of 15 feet, tangent to said northerly prolongation and tangent to a line parallel with and 4 feet southerly, measured at right angles, from the straight line in the northerly boundary of said Parcel 202; thence northeasterly along said curve 23.56 feet to said parallel line; thence East along said parallel line 4.00 feet; thence North 4.00 feet to said northerly boundary; thence westerly, southwesterly and southerly along the northerly, northwesterly and westerly boundaries of said last mentioned parcel to the southwesterly corner of said last mentioned parcel; thence South along the westerly lines of said Parcels 200, 198, 196, 193, 191 and 189 a distance of 600.00 feet to the point of beginning.

Also reserving and excepting unto the County of Los Angeles a right of way for drainage purposes in and across that portion of above described parcel of land which lies within the northerly 15 feet of the westerly 12 feet of the easterly 22 feet of said Parcel 210.

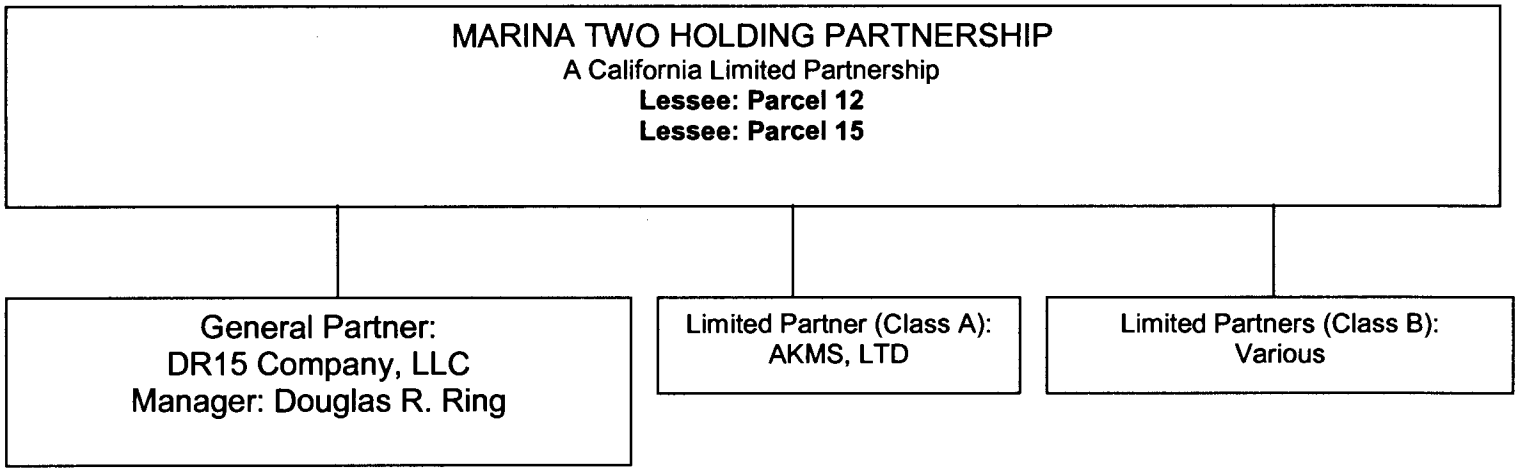
Also reserving and excepting unto the County of Los Angeles rights of way for sanitary sewer, fire access and harbor utility purposes in and across those portions thereof designated on said map as easement to be reserved by said County for such purposes.

DESCRIPTION APPROVED
JUL 1[illegible]
HARVEY T. BRANDT
County Engineer
By [illegible] Deputy

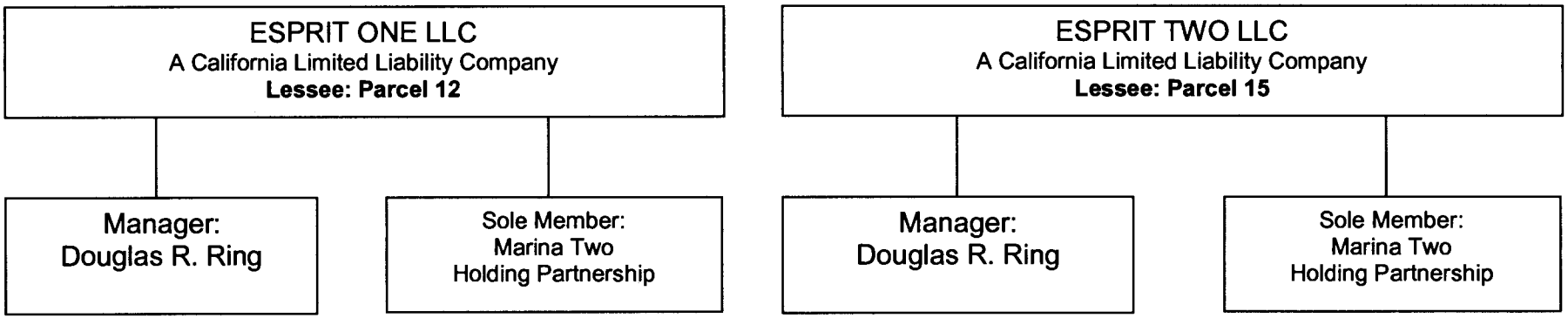
15gt081903

EXHIBIT 5

CURRENT



PROPOSED



1215diagram-before-after

Los Angeles County
Beaches & Harbors
Caring for Your Coast

To enrich lives through effective and caring service

August 21, 2003

TO: Small Craft Harbor Commission

FROM: Kerry Gottlieb for Stan Wisniewski, Director

SUBJECT: **ITEM 6a - ONGOING ACTIVITIES REPORT**

BOARD OF SUPERVISORS' ACTIONS ON ITEMS RELATING TO MARINA DEL REY

At its July 29, 2003 meeting, the Board of Supervisors approved and authorized the Chair to execute three-year contracts, with two one-year extension options, with Concept Marine Associates, Inc., Noble Consultants, Inc., Han-Padron Associates, and David Evans and Associates, Inc. for harbor engineering consultant services pertaining to Marina del Rey and County-owned and operated beaches, at an aggregate annual cost not to exceed $200,000, subject to annual increases of up to 20% at the discretion of the Director.

At its August 12, 2003 meeting, the Board of Supervisors approved and authorized the Chair to sign the option granting to the current lessee, upon fulfillment of state conditions, the right to extend the term of its existing ground lease by 39 years on Parcel 140P (Admiralty Apartments). This item was previously considered and recommended by your Commission.

At its August 19, 2003 meeting, the Board of Supervisors approved the County motto, "Enriching Lives," for use by all County departments and commissions in all communication mediums, including employee badges, and required all County departments to display the County seal on the exterior entrances of all County facilities and in all public meeting rooms and primary conference rooms. The Department is examining its compliance with this item.

MARINA DEL REY WATER SHUTTLE SERVICE UPDATE

The Marina del Rey Water Shuttle has operated on weekends and holidays since May 16, 2003, and will continue through Labor Day, September 1, 2003. The shuttle operates from 5:00 pm to 10:00 pm Fridays, and 10:00 am to 10:00 pm on Saturdays, Sundays and holidays, with the exception of special events. For the Thursday night Classical Concert Series, the shuttle hours are 5:00 pm to 11:00 pm. For the Saturday Pop Series, the shuttle operates 11:00 am to 11:00 pm.

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Stan Wisniewski Director • Kerry Gottlieb Chief Deputy

The shuttle ferries passengers throughout the Marina, with stops at Fisherman's Village, Burton Chace Park, the Marina Fire Station and Marina (Mother's) Beach. Operating with two vessels, the new service helps in opening the Marina's waterfront to the public while providing an inexpensive experience on the Marina's waterways. The cost per passenger is $1.00 for three stops.

For your perspective, we have attached the chart on ridership of the shuttle to date, which has grown with improved weather and implementation of our signage program for each shuttle site. As of August 17, 2003, over 10,500 water shuttle rides have occurred, averaging 650 riders per week.

DINGHY STORAGE FACILITY STATUS -- PARCEL 91S (MARINA BEACH)

At your July 23, 2003 meeting, a member of the public expressed concern about the length of the waiting list for spaces at our dinghy storage facility at Marina Beach and the current operating status, as the area had been temporarily closed for resurfacing and renovation. We indicated at that time that the facility had reopened and that, after offering the spaces to existing permittees, it appeared that a significant number of spaces would likely be available to persons on the waiting list. You requested that we report back to you on the status.

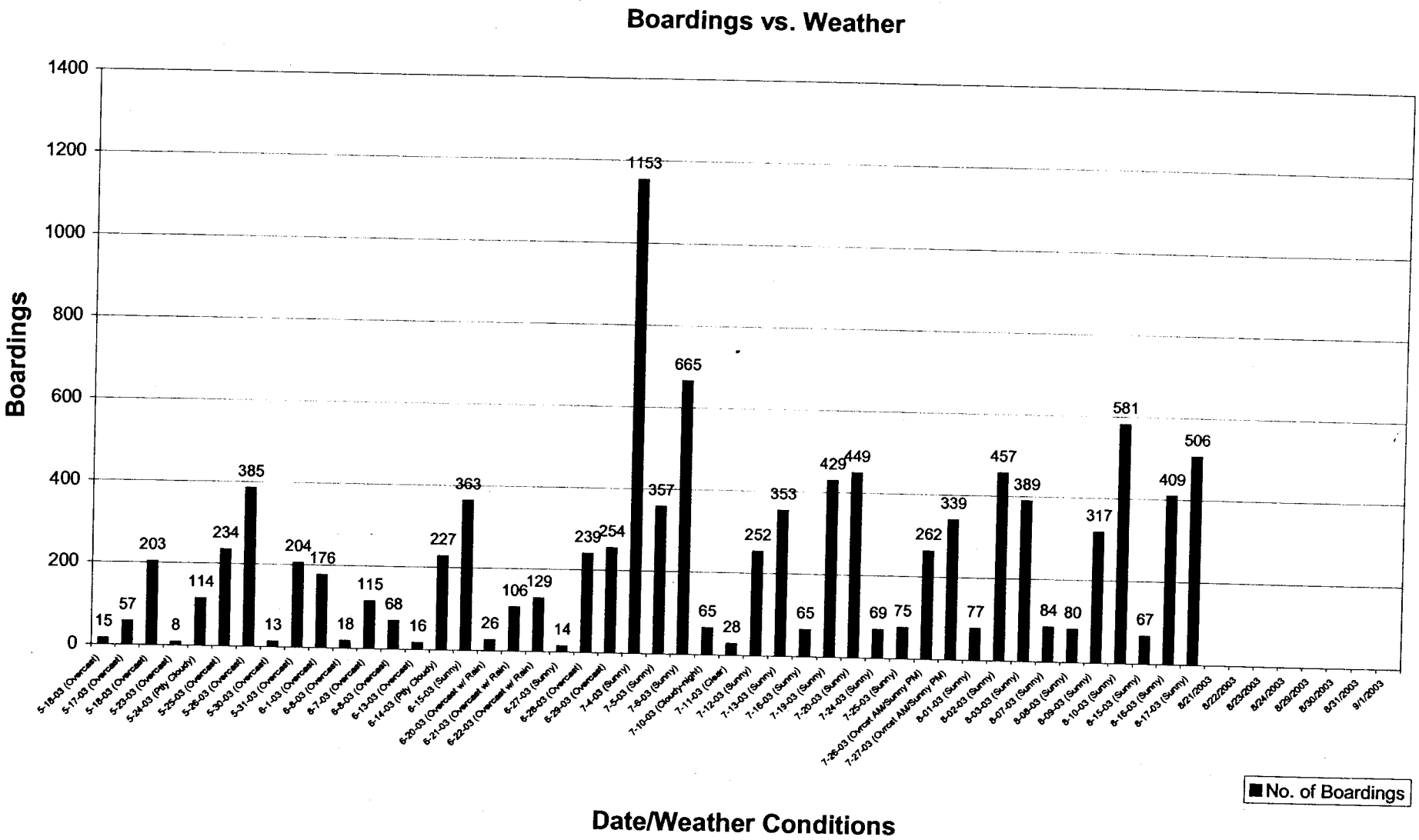
Sixty-six of the total 120 spaces available have been rented by returning permittees to whom the spaces were first offered. In response to our contact to 100+ persons on the waiting list to offer spaces in order of waiting list priority, to date, approximately 25 persons on the waiting list have expressed their continued interest and made appointments to sign a contract. If all sign, we will have 29 remaining spaces available for the approximately 50 people who remain on the waiting list. Letters have been sent to these individuals. Based on recent history, we believe that fewer than 29 of the 50 remaining on the list will respond and, therefore, that all remaining parties on the waiting list who want to rent a space will be able to be accommodated.

As indicated at last month's meeting, our longer-range goal is to provide a master plan for Marina Beach, after evaluation of submissions received in response to our Requests for Proposals for the area. These submissions, received August 11, are now being evaluated. We have also commissioned one of the department's design consultants, EDAW, to explore a plan for reorganization of the Marina Beach area in the interim so as to provide the most efficient use of the area and possible expansion, if needed, of the dinghy storage area. Additionally, we have been reviewing other possible avenues that might be pursued in order to provide additional dinghy storage, if needed, i.e., providing additional storage racks at other Marina venues, which we are already implementing.

DESIGN CONTROL BOARD MINUTES

Due to the cancellation of the July 17, 2003 Design Control Board meeting, there are no minutes to include in your packet.

SW:tlh
Attachment


Boardings vs. Weather
Boardings
1400
1200
1000
800
600
400
200
0
15
57
203
8
114
234
385
13
204
176
18
115
68
16
227
363
26
106
129
14
239
254
1153
357
665
65
28
252
353
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429
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339
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457
389
84
80
317
581
67
409
506
5-16-03 (Overcast)
5-17-03 (Overcast)
5-18-03 (Overcast)
5-23-03 (Overcast)
5-24-03 (Pty Cloudy)
5-25-03 (Overcast)
5-26-03 (Overcast)
5-30-03 (Overcast)
5-31-03 (Overcast)
6-1-03 (Overcast)
6-6-03 (Overcast)
6-7-03 (Overcast)
6-8-03 (Overcast)
6-13-03 (Overcast)
6-14-03 (Pty Cloudy)
6-15-03 (Sunny)
6-20-03 (Overcast w/ Rain)
6-21-03 (Overcast w/ Rain)
6-22-03 (Overcast w/ Rain)
6-27-03 (Sunny)
6-28-03 (Overcast)
6-29-03 (Overcast)
7-4-03 (Sunny)
7-5-03 (Sunny)
7-6-03 (Sunny)
7-10-03 (Cloudy-night)
7-11-03 (Clear)
7-12-03 (Sunny)
7-13-03 (Sunny)
7-16-03 (Sunny)
7-19-03 (Sunny)
7-20-03 (Sunny)
7-24-03 (Sunny)
7-25-03 (Sunny)
7-26-03 (Overcat AM/Sunny PM)
7-27-03 (Overcat AM/Sunny PM)
8-01-03 (Sunny)
8-02-03 (Sunny)
8-03-03 (Sunny)
8-07-03 (Sunny)
8-08-03 (Sunny)
8-09-03 (Sunny)
8-10-03 (Sunny)
8-15-03 (Sunny)
8-16-03 (Sunny)
8-17-03 (Sunny)
8/21/2003
8/22/2003
8/23/2003
8/24/2003
8/29/2003
8/30/2003
8/31/2003
9/1/2003
No. of Boardings
Date/Weather Conditions