"To enrich lives through effective and caring service"

Los Angeles County Beaches & Harbors — Caring for Your Coast

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

SMALL CRAFT HARBOR COMMISSION

AGENDA
AUGUST 9, 2006
9:30 a.m.

BURTON W. CHACE PARK COMMUNITY ROOM
13650 MINDANAO WAY
MARINA DEL REY, CA. 90292

1. Call to Order, Action on Absences and Pledge of Allegiance

2. Approval of Minutes: Meeting of July 12, 2006

3. **REGULAR REPORTS**

   a. Marina Sheriff — (DISCUSS REPORTS)
      - Crime Statistics
      - Enforcement of Seaworthy & Liveaboard Sections of the Harbor Ordinance

   b. Marina del Rey and Beach Special Events

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

4. **OLD BUSINESS**

   a. Follow up to Memorandum Regarding Commission's Authority Relating to Liveaboard Issues; Effect of Policies Adopted by the Commission — (DISCUSS REPORT BY COUNTY COUNSEL)

5. **NEW BUSINESS**

   a. Approval of Option for Lease to Facilitate Redevelopment - Parcel IR (Marriott Residence Inn) – Marina del Rey — (RECOMMEND TO BOARD OF SUPERVISORS)

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

   a. Ongoing Activities
      - Board Actions on Items Relating to Marina del Rey
      - Local Coastal Program Periodic Review - Update
      - Design Control Board Minutes

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b. Registered Liveaboard Slips in Marina del Rey Harbor - 6½ year Period

c. Public Request for Information at June 14, 2006 Meeting
   - Department of Consumer Affairs Mediation Services
   - Chace Park Transient Dock Policy - Length of Stay
   - Admiralty Park Entrance/Landscape Maintenance
   - Marina Expressway (SR90) Connector Road to Admiralty Way Project

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 (Ord. 93-0031 § 2 (part), 1993), 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: marinadelrey.lacounty.gov

   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

   Lloyd Taber-Marina del Rey Library
   4533 Admiralty Way
   Marina del Rey, CA 90292

Si necesita asistencia para interpretar esta informacion llame al (310) 305-9547.

ADA ACCOMMODATIONS: If you require reasonable accommodations or auxiliary aids and services such as material in alternate format or a sign language interpreter, please contact the ADA (Americans with Disabilities Act) Coordinator at (310) 305-9590 (Voice) or (310) 821-1737 (TDD).

Small Craft Harbor Commission
July 12, 2006
Minutes

Commissioners Present

Harley Searcy, Chairman
Russ Lesser, Vice-Chairman
Albert Landini, Ed.D

Excused

Christopher Chuang-I Lin, Ph.D

Department of Beaches & Harbors: Stan Wisniewski, Director
Barry Kurtz, Traffic Engineering Consultant

Other County Departments: Thomas Faughnan, Principal Deputy County Counsel
James Chon, Senior Civil Engineer, Department of Public Works
Lt. Greg Nelson, Sheriff's Department
Deputy Michael Carilles, Sheriff's Department

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

1. CALL TO ORDER, ACTION ON ABSENCES AND PLEDGE OF ALLEGIANCE

Chairman Searcy called the meeting of the Los Angeles County Small Craft Harbor Commission to order at 9:50 a.m. in the Burton W. Chace Park Community Room, Marina del Rey.

Vice-Chairman Lesser moved and Commissioner Landini seconded a motion to excuse Commissioner Lin from the meeting. The motion passed unanimously.

The Commissioners, staff and members of the public stood and recited the Pledge of Allegiance.

2. APPROVAL OF MINUTES

Vice-Chairman Lesser moved and Commissioner Landini seconded a motion to approve the June 14, 2006 minutes. The motion passed unanimously.

3 REGULAR REPORTS

a. Marina Sheriff

-- Crime Statistics

Lt. Greg Nelson reported a continued decrease in theft. He said that it's really good news given there's usually a crime increase this time of year. He commented that the deputies, with the help of the bike patrol, are doing a good job combating criminal activity.

Lt. Nelson reported that he followed up on Commissioner Landini's concern pertaining to bicyclists cutting through the library parking lot. As the location's signage doesn't really address the problem, Lt. Nelson said that he would work with Beaches and Harbors staff to formulate a plan to place appropriate signage there. He also alerted the bike patrol and California Highway Patrol to the problem so that they can keep an eye out in the future.

Further, Lt. Nelson reported that the north entrance to the harbor is 50% closed. He commended Beaches and Harbors for getting the Army Corps of Engineers to dredge the area. The entire

north entrance will probably be closed while the dredging activity is being done. The south entrance will remain open.

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

Sgt. Carriles reported that two liveaboard permits were issued in May and June.

Commissioner Landini noted that the report shows a discrepancy between the number of reported liveaboards, 556, and the 431 permits that were issued. He asked whether this means that approximately 120 applications are missing.

Sgt. Carriles responded yes and added that it could also mean 120 applications have expired.

Commissioner Landini asked whether any fees are charged for applications or permits.

Sgt. Carriles responded that the Department does not charge fees for applications or permits.

b. Marina del Rey and Beach Special Events

Mr. Wisniewski reported that the Marina summer concert series is underway. Additionally, the WaterBus is now operating from June 30 through September 4. This is its fourth year and the Department is getting a lot of positive letters expressing appreciation and encouraging the expansion of the WaterBus. Mr. Wisniewski encouraged feedback, including complaints and suggestions.

Mr. Wisniewski said that a beach shuttle now operates from Playa Vista to Venice Beach Pier from July 1 through September 4.

In conclusion, Mr. Wisniewski informed the Commission that the report includes information regarding Old Fashioned Day in the Park, scheduled for July 23, Fisherman's Village weekend concerts, and beach events, including the 2006 International Surf Festival.

Commissioner Landini pointed out that the beach shuttle route doesn't include Fisherman's Village. He said that this appears to be an oversight.

Mr. Barry Kurtz affirmed that the shuttle doesn't stop at Fisherman's Village; however, this location is included in Culver City's bus route.

Commissioner Landini asked whether Fisherman's Village could be added to the shuttle route.

Mr. Kurtz responded that this possibility was discussed, but staff felt it would cost too much money and not be cost effective at this time.

Commissioner Landini asked Mr. Wisniewski whether the Department, during negotiations to redevelop Fisherman's Village, could discuss the possibility of the lessee subsidizing the cost of adding Fisherman's Village to the shuttle route.

Mr. Wisniewski responded that the lessee's lease had been executed and the lessee already pays traffic mitigation fees in addition to other fees.

Mr. Wisniewski commented that he doesn't have a burning desire for more buses to stop at Fisherman's Village in its present state. The village is in need of redevelopment and staff is working with the lessee to move the permit process along as quickly as possible.

Commissioner Landini requested that Mr. Wisniewski make a mental note to include Fisherman's Village in the shuttle route after the redevelopment.

Mr. Wisniewski responded that he would consider it and the cost involved and report back to the Commission at that time.

CHAIRMAN SEARCY OPENED THE FLOOR TO PUBLIC COMMENT

Ms. Nancy Marino, Marina resident, expressed appreciation for the courtesy and skillful coordination of law enforcement agencies on the Fourth of July. She said that they did a fantastic job and she wanted her appreciation put on the record.

Ms. Marino also complimented the WaterBus and said that it's being promoted more as a fun activity rather than an alternate transportation system. She'd like it to be expanded to a year-round service in order to encourage people to get out of their cars on a regular basis.

c. Marina del Rey Convention and Visitors Bureau (CVB)

Ms. Beverly Moore informed the Commission that the bureau created a series of brochures, called "shells," on a variety of subjects that are in demand by visitors, boaters and residents. The shells provide information on the Marina's history, hotels, events, boat dealers, etc. She explained that the shells are preprinted blank in large quantities, thus enabling staff to update them with information as needed on printers and copiers.

She continued, stating that during the summer months, the Visitors Center receives between 2,000 – 2,500 inquiries. It's a busy center with very efficient staff to greet people. The bureau has developed more effective sales tools to use during its outreach to meeting planners and the travel media, which are both important targets of the bureau's marketing efforts. There is a series of DVDs and CDs containing group sales information, media press kits, still images and video clips. They're all different and used for different purposes.

Further, Ms. Moore said that *Smart Meetings Magazine*, *Black Meetings and Tourism and Meetings in the West* have within the last two months written wonderful articles about the Marina as a result of the bureau's outreach to these publications. She said that the bureau has a consistent, assertive outreach with new stories, new ideas, new angles and new coverage. What's common through all the marketing push on the Marina is how special and unique it is and it's right here in the middle of Los Angeles. Ms. Moore said that the need to protect the interest of commercial boaters is important. The community's understanding of the strong relationship between tourism and boating will continue to help support the bureau's efforts.

Commissioner Landini suggested that the shells include maps so that people can quickly see the location of businesses, restaurants, etc.

Ms. Moore responded that she would consider Commissioner Landini's suggestion. She explained that she didn't bring maps to today's meeting; however, there are maps available at the Visitors Center. Maps are also distributed to hotels. Ms. Moore added that there is a main visitors brochure with a comprehensive map that includes locations of hotels and restaurants in the community. There's also a regional map that extends quite a distance to orient people.

The Commissioners commended Ms. Moore for the excellent material.

4. OLD BUSINESS

a. Traffic Mitigation Measures within Marina del Rey Area- Quarterly Report

Mr. James Chon, Senior Civil Engineer, Department of Public Works (DPW), referenced the report that was distributed to the Commission and noted its inclusion of maps, which were color

coordinated to reflect proposed, completed and under construction projects. He reported the following changes that have occurred since the April 2006 quarterly report to the Commission:

- **COMPLETED TRANSPORTATION IMPROVEMENTS**

The water shuttle and demonstration beach shuttle service were added to the list of completed projects.

- **PROPOSED TRANSPORTATION IMPROVEMENTS**

There are five updates on the list of proposed projects. The EIR/EIS completion dates have changed from 2011 to 2007 for the Marina Expressway (SR-90) Connector Road to Admiralty Way Project, Admiralty Way Improvement Project, and Admiralty Way/Via Marina Intersection Realignment Project.

Mr. Barry Kurtz emphasized that the dates are for the completion of the EIR/EIS, not for the projects themselves.

The completion dates for the Admiralty Way/Palawan Way Intersection Improvements and Palawan Way/Washington Blvd Street Intersection Improvements have changed from 2011 to 2008.

- **IMPROVEMENTS UNDER CONSTRUCTION**

There are no updates on the list of projects under construction.

Mr. Chon noted that at its April meeting, the Commission requested responses to a couple of questions, one regarding the sufficiency of developer fees given the extended timeline of the Admiralty Way improvement projects. He said that the Department of Public Works is in consultations regarding a fee increase and if approved, expect it will take from three to six months to increase current fees.

Mr. Chon stated that the Commission also wanted to know at the April meeting whether the Palawan Way/Washington Blvd. Intersection Improvement Project could be given a shorter target date than 2011. He said that the target date to complete this project's construction has changed from 2011 to 2008.

Commissioner Landini asked whether Los Angeles City's DASH shuttle bus is the same as the beach shuttle (from Playa Vista to the Venice Beach Pier).

Mr. Kurtz responded that the City's DASH shuttle bus in the Marina no longer exists. He explained that there was a DASH shuttle operated by the City of Los Angeles Department of Transportation (LADOT) from the late 1980s to 2004. This shuttle ended because of poor ridership. Mr. Kurtz mentioned that LADOT staff informed him that the DASH shuttle was the worst of all the LADOT buses. The DASH bus ran from Mindanao Way and Glencoe along Admiralty Way en route to Venice Beach.

Mr. Kurtz said that in 2002, the County considered the possibility of a shuttle system through Marina del Rey and discussions were held with the Metropolitan Transportation Authority (MTA), which funds this type of transportation system. He explained that the money comes from MTA's Proposition A Local Return funds, which is a ½-cent sales tax collected by MTA and distributed to local jurisdictions based on what MTA believes to be the best projects. At the time, MTA did not believe a shuttle system would be cost-effective, as the MTA's main goal is to help peak period traffic demand and it was not believed that a shuttle system through the Marina would achieve that goal. The MTA funds the capital improvement part of the shuttle operation, which is approximately 20% of the total shuttle cost. Maintenance cost is approximately 80%.

Mr. Kurtz said that the County did not submit the Marina shuttle to the MTA's 2003 Call for Projects. As things turned out, there was no Call for Projects because of the State's funding shortfall. There hasn't been a Call for Projects since. Even if the shuttle were submitted, it would have had to make the cut and compete with all other projects.

As for the current beach shuttle, Mr. Kurtz explained that approximately six months ago he approached Playa Vista, having been aware of its shuttle operating from Playa Vista to the beach. He asked Playa Vista's representatives whether the County could piggyback on the Playa Vista system and stop at Marina locations. They agreed. In June 2006, the Board of Supervisors approved a one-year agreement with Playa Vista allowing the County to piggyback on Playa Vista's system and run the shuttle through the Marina. The County is contributing approximately 25% of the cost and the money is coming from the Fourth District's Proposition A funds, which derive from a ½ cent sales tax.

Commissioner Landini asked whether the shuttle is easily identifiable.

Mr. Kurtz responded that he hasn't seen the shuttle yet but, as he understands it, the shuttle will have County and Playa Vista logos on it.

Commissioner Landini mentioned that he would really like to see an attention-getting design on the shuttle. As for the WaterBus, its signage should reference the shuttle, as both taken together could be promoted as an adventure and a way to tour the Marina.

Mr. Kurtz said that the County has a one-year option to extend the shuttle if it's successful. The County will look at the shuttle's ridership. If there's an average of 15 or more riders, the shuttle can be extended the following year. He would like to see the shuttle made permanent and fully integrated with the WaterBus. There is already some integration, with shuttle stops displaying information about the WaterBus.

Commissioner Landini asked whether staff considered a mass mailing to promote the shuttle and WaterBus.

Mr. Kurtz responded that he could discuss this possibility with Beverly Moore and Dusty Crane.

CHAIRMAN SEARCY OPENED THE FLOOR TO PUBLIC COMMENT

Mr. Donald Klein, president, Coalition to Save the Marina, asked for a response to his question from the June 2006 Commission meeting pertaining to the Admiralty Way/Via Marina Intersection Project and Admiralty Way Improvement Project.

Chairman Searcy informed Mr. Klein that staff provided a response in its report entitled, "*Public Requests for Information at June 14, 2006 Meeting*" (Agenda Item 6c). The Commission had not yet come to that item on the agenda.

Mr. Klein said that he requested traffic studies (he couldn't recall the specific names) from Beaches and Harbors, but was told by staff that the Department did not have the studies. He remembered a study being done in 1994 and a supplemental study done in 2000. Mr. Klein also requested the studies from the Department of Public Works. Mr. Klein asked whether "actual trip traffic and traffic information were conducted pursuant to traffic in the Marina on both the north and south bound lanes of Lincoln Blvd. between Fiji Way and the SR90."

Mr. Kurtz responded that a study was done in the 1990s as part of the Marina Local Coastal Program (LCP). A traffic model was built. The study resulted in the LCP's transportation element and was approved by the Board of Supervisors and Coastal Commission. It included the whole area and the whole roadway system at that time. Also, in 2004, Kaku and Associates conducted a study and created the Admiralty Way Improvement Project Report, which looked at different

scenarios for Admiralty Way and SR90. It included the whole roadway system: Lincoln Blvd., Admiralty Way, Mindanao Way, Washington Blvd., etc.

Chairman Searcy requested Mr. Kurtz to follow up with Mr. Klein after the meeting to ensure that Mr. Klein has the correct names of the traffic studies and where to obtain them.

Ms. Nancy Marino, Marina resident, said that the California Coastal Commission in its current Local Coastal Periodic Review advised the County that the LCP is not in compliance with the policies of the Coastal Act. One finding is that the traffic model is obsolete and should be redone. The County is objecting to this. The periodic review is now tentatively scheduled for the August Coastal Commission meeting, which will be held in San Pedro. She said that the County's traffic improvement projects are based on old models and are proceeding with shortened target dates. She would like to see the projects postponed until after the August Coastal Commission meeting, where Coastal Commission staff will present its report on the LCP. Ms. Marino said that the matter of whether a new traffic model is needed should be resolved before proceeding with traffic improvements. If the County proceeds with its plans and the matter isn't resolved in the County's favor, all of the work would have to be redone at a massive cost. She would hate for the County's efforts to be wasted.

Further, Ms. Marino informed the Commission that she has a WaterBus season pass, which is available at Fisherman's Village for $30.00. Ms. Marino said that the pass should be promoted because it's a great deal for the public. The pass is laminated and people can ride as many times as they want. Ms. Marino mentioned that her building has a couple of bulletin boards in the garage and the map of the WaterBus route would be a great thing to post on them as well as at office buildings and residential buildings throughout the County. Additionally, if occasional users rode the WaterBus 10-15 times, the County would realize a lot more revenue.

Ms. Marino asked whether County traffic mitigation fees collected from developers are being used to fund the shuttle system and alternate modes of transportation or are the fees earmarked and held aside for roadway improvements.

Mr. Kurtz responded that developer fees wouldn't be applied to the shuttle.

As for the traffic model, Mr. Kurtz said that it was done in the early 1990s. He explained that there's been discussion regarding whether this model is obsolete and doesn't show an accurate depiction of what's currently happening. Staff reviewed the results of the recent model, the Playa Vista model done in 2004, and looked at the same horizon year, meaning the 2010 build-out, for both Playa Vista and the earlier LCP model. The Playa Vista model is more up to date and reflects a more dynamic, modern, state of the art model showing that the level of service at the intersections were better and less congested than the previous model.

Mr. Chon mentioned that each individual development requires its own traffic impact study based on current traffic conditions and some of the transportation projects are being considered or implemented based on these new studies.

Mr. Faughnan commented that the Department hasn't received the Coastal Commission's staff report. While the draft report may recommend a new traffic model, the Department hasn't received the final report and hasn't formally responded to whatever is in the report.

Ms. Carla Andrus suggested that a schedule and map of the shuttle service be placed at every stop along its route. The Culver City bus system uses this method, displaying a bus route map and schedule at each stop.

Ms. Andrus also suggested the Commission recommend to the Board that the traffic model be redone in connection with a comprehensive model from all of the developers instead of a piece-meal study from each developer.

Mr. John Rizzo, president, Marina Tenants Association, informed the Commission that he has a business on Lincoln Blvd. and he sees all of the gridlock along that street. He's really shocked by the buildup on Glencoe Avenue and never thought he'd see the day when all of the warehouses would be removed and replaced with condominiums and apartments. Mr. Rizzo commented that it's actually not so shocking given the fact that Doug Ring's wife, Councilwoman Cindy Miscikowski, approved developing the area.

Mr. Rizzo questioned how a traffic model could be accurate. He said that everyone knows there is no solution to the traffic problem, yet representatives attend meetings and inform the Commission about planned improvements. He said it's terrible to have to listen to this. He said that the people on Glencoe, Maxella, etc., need the Marina for recreational purposes and don't need a build-out in a recreation area that's supposed to serve the people who are gridlocked in traffic. There just doesn't need to be more apartments, grocery stores, etc.

Mr. Rizzo further suggested that the Commission really consider whether it is reasonable to continue with all the planned development in this recreational marina.

After announcing that he had a prior commitment, Chairman Searcy left the meeting.

Vice-Chairman Lesser proceeded to the next agenda item.

b. Follow up to Memorandum Regarding Commission's Authority Relating to Liveaboard Issues; Effect of Policies Adopted by the Commission

Mr. Thomas Faughnan informed the Commission that with the absence of Chairman Searcy, the meeting should adjourn, as the Commission no longer had a quorum. He said if there is no objection from the public, the Commission could proceed with the meeting.

There was brief discussion about continuing the meeting. A member of the public commented that it might best serve those people who couldn't attend today's meeting to adjourn and postpone discussion of the remaining agenda items until August.

Vice-Chairman Lesser pointed out that there were no action items and the remaining agenda items were informational. He said, however, as members of the public objected to continuing without a quorum, he would adjourn the meeting.

5. <u>ADJOURNMENT</u>

Vice-Chairman Lesser adjourned the meeting at 10:35 a.m.

Respectfully submitted,

Toni Minor
Commission Secretary

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT
MARINA DEL REY STATION
PART I CRIMES- JULY 2006

	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										0
Rape										0
Robbery: Weapon	1					1	1	1	1	5
Robbery: Strong-Arm									1	1
Aggravated Assault	1	1					1		3	6
Burglary: Residence	3				1		4	5	6	19
Burglary: Other Structure	2	2		1			3	1		9
Grand Theft	2	3		1			1	2		9
Grand Theft Auto	2	1					4	4		11
Arson							1			1
Boat Theft										0
Vehicle Burglary	4						1	2	3	10
Boat Burglary										0
Petty Theft	3	1			2	1	2	1		10
REPORTING DISTRICTS TOTALS	**18**	**8**	**0**	**2**	**3**	**2**	**18**	**16**	**14**	**81**

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

Source- LARCIS, **Date Prepared** – August 1, 2006
CRIME INFORMATION REPORT - OPTION B

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

MARINA DEL REY STATION

PART I CRIMES- JULY 2006

Part I Crimes	MARINA AREA (RD'S 2760-2763)	EAST END (RD'S 2764-2768)
Homicide	0	0
Rape	0	0
Robbery: Weapon	1	4
Robbery: Strong-Arm	0	1
Aggravated Assault	2	4
Burglary: Residence	3	16
Burglary: Other Structure	5	4
Grand Theft	6	3
Grand Theft Auto	3	8
Arson	0	1
Boat Theft	0	0
Vehicle Burglary	4	6
Boat Burglary	0	0
Petty Theft	4	6
Total	28	53

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

Source- LARCIS, **Date Prepared** – August 1, 2006
CRIME INFORMATION REPORT - OPTION B

MARINA DEL REY HARBOR ORDINANCE
SEAWORTHY & LIVEABOARD COMPLIANCE REPORT

	June	July
Liveaboard Permits Issued	2	1
Warnings Issued (Yellow Tags)	0	0
Notices to Comply Issued	0	0

Total Reported Liveaboards By Lessees - 554
Total Liveaboard Permits Issued - 432
Percentage of Compliance - 77

No new Warnings were issued in the month of July.

No new Notices to Comply were issued in the month of July.

No new citations were issued for violations of 19.12.1110 L.A.C.C. (liveaboard permit) or 19.12.1060 L.A.C.C. (unseaworthy vessel) in the month of July.

Number Of Impounded Vessels Demolished

To date, one hundred and ninety seven (197) vessels have been removed from the marina for disposal. Currently, five (5) vessels are ready for disposal and eight (8) are awaiting lien sale procedures.

"To enrich lives through effective and caring service"

Los Angeles County
Caring for Your Coast
Beaches & Harbors

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

August 3, 2006

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director Stan Wis

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

MARINA DEL REY

THE MARINA DEL REY SUMMER CONCERT SERIES 2006
Presented by Arrowhead Mountain Spring Water
Thursday, August 10 and August 24
Saturday, August 5, August 19 and September 2
7:00 pm
Waterside at Burton Chace Park
13650 Mindanao Way

Please join us on Saturday, August 5, for the 77-member Henry Mancini Institute Orchestra, conducted by Artistic Director Patrick Williams, appearing with special guests in a program of Broadway and pop favorites.

For our next classical concert on Thursday, August 10, eighteen-year-old violin virtuoso Hahn-Bin will be featured, performing the Romance in F minor by Antonín Dvořák and Carmen Fantasie on themes of Bizet by Pablo de Sarasate.

On Saturday, August 19, Patti Page, a legend in America's musical history, appears in concert to sing her most famous hits of the past, as well as music from her recent Grammy Award-winning album.

The Marina del Rey Summer Symphony, conducted by its Music Director, Frank Fetta, will close "Classical Thursdays" on August 24 and Cleo Laine and the Dankworth Group will close "Pop Saturdays" on September 2.

Concertgoers are invited to come early and enjoy outdoor dining at the Café Lorelei in the park. Parking at a reasonable rate is available in County Lot 4 near the venue and County Lot 5 on Bali Way. The Marina del Rey WaterBus will provide transportation to and from the concert site from six boarding stops throughout the Marina. Bikes and strollers welcome on board, no pets allowed. Fare is $1.00 per person, one way.

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

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FISHERMAN'S VILLAGE WEEKEND CONCERT SERIES
Sponsored by Pacific Ocean Management, LLC
All concerts from 2:00 pm - 5:00 pm

Saturday, August 5
X-Town Traffic, playing Funk & R&B

Sunday, August 6
Chris Ho Group, playing Jazz

Saturday, August 12
Mark Harrison, playing Contemporary Jazz

Sunday, August 13
Susie Hansen, playing Latin Jazz

Saturday, August 19
Son Candela, playing NY Style Afro Cuban Salsa

Sunday, August 20
2Azz1 and the Body-N-Soul Band, playing Smooth Jazz & R&B

Saturday, August 26
Bobby Griffin, playing Blues

Sunday, August 27
Chris Glick Band, playing Jazz & Latin Jazz

For more information call: Dee Lavell Gilbert at (310) 822-6866.

BEACH EVENTS

DRIVE-IN AT THE PIER
Santa Monica Pier
August 1 through September 26 at Sunset

You won't need your car to enjoy the classic ambiance of this very special event. Just bring something or someone to keep you warm as the Pier screens a fun, family-oriented film on a huge screen under the night sky every Tuesday evening from August 1 through September 26 for a great cause, The Cancer Relief Fund. Admission is FREE but tickets will be required for entry. Get your tickets at the Santa Monica Visitor's Center location at 1920 Main Street and Santa Monica Convention and Visitor's kiosk at 1400 Ocean Avenue. Doors will open at 7:00 pm.

This month's line-up, featuring fun family classics and some new favorites, is as follows:

August 8	August 15	August 22	August 29
The Muppet Movie	Madagascar	Rocky	Forrest Gump

For tickets and further information call: The Santa Monica Pier at (310) 458-8900 or visit the website www.smff.com.

THE GILLIS VOLLEYBALL TOURNAMENT
Saturday, August 12, and Sunday, August 13
8:00 am
Dockweiler Beach (between Imperial Hwy. and Grand Ave.)

This 36th annual invitational tournament will have over 100 teams in five different divisions competing in both 2-man and 6-man competitions. All participants are dressed in costumes or matching swimsuits. Event viewing is free to the public.

For information call: Steve Cressman (310) 337-0601 or visit the website at www.thegillis.com.

TWILIGHT DANCE SERIES
June 29 to August 31, beginning at 7:30 pm
Santa Monica Pier

The 22th Annual Twilight Dance Series, presented by the Santa Monica Pier Restoration Corporation, is back. FREE concerts are held every Thursday night from June 29 through August 31 on the Santa Monica Pier west parking deck.

August 10
Salif Keita, playing African pop and traditional music

August 17
Inti-Illimani, playing Latin American, Afro-Latino, and Italian sounds

August 24
Kiran Ahluwalia, performing Indian vocal music

August 31
David Grisman, Stephane Wrembel and Brandi Shearer, performing Dawg music and Gypsy jazz

For information call: Santa Monica Pier Restoration Corp. at (310) 458-8900 or visit the website www.twilightdance.org.

FIESTA HERMOSA
Hermosa Beach Chamber of Commerce
September 2, 3 and 4

Arts and crafts from throughout the West will be featured at the Hermosa Beach Chamber of Commerce Fall Festival on Labor Day weekend from 10:00 am to 6:00 pm 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 Northrop Grumman R-5 and R-01 parking lots at Manhattan Beach Boulevard and Doolittle Street. A free shuttle bus will run continuously from 7:30 am to 7:30 pm from the lots to the Festival. 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 or visit the event website at www.fiestahermosa.com.

SW:DC:mc

COUNTY OF LOS ANGELES
OFFICE OF THE COUNTY COUNSEL
648 KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2713

RAYMOND G. FORTNER, JR.
County Counsel

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August 3, 2006

TO: SMALL CRAFT HARBOR COMMISSION

FROM: THOMAS J. FAUGHNAN
Principal Deputy County Counsel
Property Division

RE: **AGENDA ITEM 4a - FOLLOW UP TO MEMORANDUM REGARDING COMMISSION'S AUTHORITY RELATING TO LIVEABOARD ISSUES; EFFECT OF POLICIES ADOPTED BY THE COMMISSION**

At the April 12, 2006 meeting, your Commission requested a report from County Counsel on the Commission's authority relative to concerns raised by members of the public over asserted evictions of liveaboards from marinas in Marina del Rey. At your meeting of June 14, 2006, further questions relating to liveaboard concerns and the Commission's policy authority were raised by the Commission and the public. This memorandum is in response to those questions.

1. Lawsuit Challenging the County's Liveaboard Eviction Ordinance.

Our June 5, 2006, memorandum referenced a legal challenge to former County Code § 19.12.940 (the "liveaboard eviction ordinance"). The name of that lawsuit was *Villa Del Mar Properties, LTD, et al. v. County of Los Angeles,* Los Angeles Superior Court Case No. WEC 059213 A (1981). The County did not appeal from the Superior Court judgment; however, the decision is discussed briefly in the appellate decision relating to its companion case, *Interstate Marina Development Co, et al. v. County of Los Angeles,* 155 Cal.App.3d 435, 202 Cal.Rptr. 377 (1984).

2. Legal Rights and Obligations of Liveaboards.

The Commission requested further information on the legal rights and obligations of liveaboards. The following is intended to provide the Commission with general information on the legal rights and obligations of liveaboards, not to provide specific legal advice on any particular matter, and is not intended to be an exhaustive discussion of all laws which may be applicable to liveaboards.

Liveaboards must comply with County Code §19.12.1110, which prohibits a person from using a vessel as an abode in excess of three days within any one-week period, unless authorized by the lessee and issued a liveaboard permit by the Harbor Master. A permit will only be issued upon compliance with the following: (1) compliance with the requirements of seaworthiness as described in County Code § 19.12.1060; and (2) installation of a federally approved marine sanitation device of self-contained portable toilet approved by the Harbor Master. Liveaboard permits are valid for a period of one year.

Boat slip rental agreements are generally negotiated by and between the vessel owner and the lessee. The County is not a party to these contracts. Most rental agreements are terminable on 30 days' notice. The termination of a boat slip rental agreement on 30 days' notice has been upheld in both State and federal court. See, *Smith v. Municipal Court,* 202 Cal.App.3d 685, 245 Cal.Rptr. 300 (1988); see also, *Derfus v. Far West Villa Del Mar, LTD, et al.,* 471 F. Supp. 1082 (C.D.C.A. 1979). These cases treat a boat slip as real property, but they do not treat a boat slip as residential real property. In *Derfus,* which involved a liveaboard in Marina del Rey, the District Court held that: "The right to dock one's boat at a particular berth or marina cannot be equated with the right to decent low-cost housing even if one chooses to live aboard the boat. The nature of the right for which plaintiff seeks protection simply does not rise to the level entitled to constitutional protection which would override traditional landlord-tenant relationships in leases allowing, as here, for termination on thirty (30) day written notice by either party." In other words, the Court held that a person's liveaboard status did not entitle him or her to greater protection from eviction under the law than a tenant in any other real property lease.

Neither of the above cases directly raise or address the application of statutes specifically governing residential real property to boat slips rental agreements involving liveaboards. We find it unlikely, however, that a court would extend most statutes governing residential real property to boat slip rental agreements involving liveaboards because of the fact that the lessee is only renting

the slip and not a habitable structure. The slip tenant is actually providing the habitable structure, namely, the vessel. Thus, many of the legal obligations of a lessee of residential real property would not be applicable to a boat slip rental because of lack of control over the habitable structure. Since there are numerous statutes that may be applicable to various circumstances, however, the applicability of each statute must be determined based upon the specific facts of the case.

It should be noted that, as of this year, the minimum notice requirements for termination of a residential real property lease is the same as for real property leases generally. California Civil Code section 1946 requires no more than 30 days' notice of termination for real property leases. Leases of shorter duration than 30 days may have shorter notice; parties may also provide by agreement for lesser notice, but not less than seven days. Former Civil Code section 1946.1 had provided for notice of 60 days for residential real property leases of one year or more; however, that provision by its terms only remained in effect until January 1, 2006. The provision has not been renewed by the Legislature. Thus, 30 days' notice of termination is generally the requirement for both apartment and liveaboard tenants in the Marina, except as set forth in the Floating Home Residency Law, as discussed below.

Civil Code section 800, *et seq.*, the Floating Home Residency Law, provides certain protections for owners of floating homes, including limitations on the reasons for terminating a floating home tenancy, and 60 days' notice of termination. However, the Floating Home Residency Law has no application at this time in Marina del Rey because of how the statutes define a "floating home" and "floating home marina". For the purposes of the Floating Home Residency Law, to be a "floating home" a vessel must be designed as a stationary waterborne residential dwelling, have no mode of power of its own, have a continuous utility linkage to a source on shore, and a permanent continuous hookup to a shoreside sewage system. To be a "floating home marina" under the Floating Home Residency Law, the marina must have five or more berths rented or held out to rent for floating homes as defined, but that does not include a marina with 10 percent or fewer berths rented out or held out to rent for floating homes as defined. It also excludes certain marinas managed by non-profit corporations. We are not aware of any vessels or marinas in Marina del Rey that currently meet these definitions, primarily because there are no permanent continuous sewage system hookups in Marina del Rey at this time.

It should be noted that the County's definition of a "floating home" in County Code § 19.12.345 does not include the utility and sewage system linkage requirements of State law, and therefore, there are floating homes in

Marina del Rey that meet the County's definition of a "floating home," but not the Floating Home Residency Law definition. The County Code definition of a "floating home" does not alter the non-applicability of the Floating Home Residency Law to vessels that do not meet the State law definition.

With respect to discrimination, the same State laws would apply to businesses offering apartment rentals as would apply to the rental of boat slips. Civil Code section 51, *et seq.*, the Unruh Civil Rights Act, provides that: "[a]ll persons within the jurisdiction of this state are free and equal, and no matter what their sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation are entitled to the full and equal accommodations, advantages, facilities, privileges, or services in all business establishments of every kind whatsoever." As such, legal protection against discrimination is the same for any business in the Marina, whether it be a hotel, restaurant, boat slip rental or apartment rental.

3. Effect of Policies Adopted by the Commission.

The Commission has requested our opinion on the effect of a policy adopted by the Commission that is intended to govern the Commission's own actions. The request was raised with respect to a policy adopted by the Commission in October, 2002 that provided that the maximum height to be recommended for any new structure in Marina del Rey be no greater that 162 feet above grade, with the exception that Parcels 9, 10, FF and 145 may proceed at a maximum height of 225 feet.

As discussed in our June 5, 2006, memorandum, your Commission is an advisory body created by the Board of Supervisors ("Board") to make recommendations to the Director of Beaches and Harbors ("Director") and to the Board. Your Commission may publicly express its collective opinion by adopting a statement or resolution on issues within its jurisdiction. However, your Commission has no independent authority to adopt its own policies directly regulating the County's small craft harbor areas, and your Commission has no enforcement authority independent of that which may be delegated to the Commission from time to time by the Board.

Since your Commission is advisory only, a policy adopted by your Commission to govern your recommendations to the Board or Director serves to put the public and the lessees on notice of your Commission's position on a particular matter, and may serve as guidance for the Commission when considering individual projects in the future. Your Commission's policy, however, does not alter the legal standards that govern the Board's proprietary

decisions or the regulatory entitlement process, or limit the discretionary authority of the Board or Regional Planning Commission within the parameters of those legal standards. While we believe that the Board values your recommendations and advice on Marina matters, neither the Board nor the Regional Planning Commission is legally bound by your recommendations. Indeed, your Commission's policy would not even alter each individual Commissioner's right to take a contrary position on a project on a case-by-case basis.

With respect to the height limitation policy, the Specific Plan sets forth maximum heights for most parcels and provides general height requirements for those not expressly set. Certain height limitations are dependent on the size of the view corridor provided. Rejection of the maximum height allowable for a particular parcel by the Regional Planning Commission or the Board would need to be justified on a case-by-case basis. County Code §22.46.1060(E)(5) provides that: "[m]aximum heights may be reduced during the coastal development permit process to preserve public recreation, solar access to the beaches, parks and boat basins and wind for sailing or as otherwise required in all other policies of the certified Land Use Plan and this Specific Plan." Thus, while your Commission may not recommend approval of a project based upon your Commission's height limitation policy, incorporation of that limitation in the entitlement process of a particular project would require specific findings by the Regional Planning Commission or the Board that the height is being reduced for one or more of the specified purposes.

TJF:ss

c: Stan Wisniewski,
Director of Beaches and Harbors

"To enrich lives through effective and caring service"

LOS ANGELES COUNTY
Caring for Your Coast
Beaches & Harbors

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

August 3, 2006

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director Stan W.

SUBJECT: **ITEM 5a - APPROVAL OF OPTION FOR LEASE AND LEASE TO FACILITATE REDEVELOPMENT - PARCEL IR (MARRIOTT RESIDENCE INN) - MARINA DEL REY**

Item 5a on your agenda pertains to an option to lease Parcel IR (Marriott Residence Inn), in order to facilitate development of a Marriott Residence Inn.

Attached is a copy of the Board letter that explains the details of the proposed transaction. The exhibits to the Board letter include a copy of the proposed Option for Lease and a copy of the proposed Lease.

Your Commission's endorsement of my recommendations to the Board of Supervisors as contained in the attached letter is requested.

SW:gb
Attachment

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

"To enrich lives through effective and caring service"

LOS ANGELES COUNTY
Caring for Your Coast
Beaches & Harbors

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

DRAFT

August 3, 2006

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

Dear Supervisors:

APPROVAL OF OPTION FOR LEASE AND LEASE TO FACILITATE REDEVELOPMENT – PARCEL IR (MARRIOTT RESIDENCE INN) - MARINA DEL REY (4th DISTRICT) (4 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the proposed Option for Lease Agreement ("Option"), attached as Exhibit A, is categorically exempt under the California Environmental Quality Act pursuant to class 4(j) of the County's Environmental Document Reporting Procedures and Guidelines.

2. Approve and authorize the County Mayor to sign the attached Option granting to IWF Beachfront Hotel, L.P., a California limited partnership ("Lessee"), upon fulfillment of stated conditions, the right to lease Parcel IR for 60 years.

3. Approve and authorize the County Mayor to sign the new lease ("Lease") in substantially similar form to Exhibit B, upon confirmation by the Director of the Department of Beaches and Harbors ("Director") that the Lessee has fulfilled the Option conditions.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Subsequent to the Board-authorized release of the Request For Proposals For Development of Hotel And/Or Other Uses On County Parcels GR, IR and NR and a

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committee's evaluation of the proposals received and its resulting recommendations, concurred in by the Director, your Board authorized exclusive negotiations for an option for a long-term lease with Lessee for the proposed development. The proposed Option is the result of negotiations with Lessee and is designed to allow the Lessee to exercise its option and receive the benefits of the Lease ("Exhibit B") upon demonstration that it has satisfied all of the conditions for exercise contained in the Option and has received all planning, zoning, environmental and other entitlement approvals required to be obtained from governmental authorities for the construction of the development project.

The Lease provides for a term of 60 years for Parcel IR; the construction and operation of a two-building, multi-story, 147-unit AAA Three Star destination extended stay resort facility (Residence Inn by Marriott) totaling approximately 120,000 square feet; parking for 300 automobiles (84 spaces required for the hotel and 216 spaces as replacement for the existing Parcel IR public parking), with no less than 212 parking spaces to be located on-site and the balance (88 parking spaces) to be located either on-site or in an off-site parking structure, with Lessee paying its pro rata share of the parking structure's construction cost; payment of a non-refundable $100,000 option fee; and establishment of three sinking funds, namely a Capital Improvement Fund, a Renovation Fund, and a Furniture, Fixture & Equipment Fund. Additionally, the development plan requires the Lessee to contribute to a common fund established to provide for the cost of constructing new public amenities at Marina Beach on the adjacent non-leased portion of Marina Beach, with Lessee responsible for 25% of the total projected cost of such public facilities, but not more than $150,000 adjusted annually. Total development cost to be expended by Lessee is to be not less than $23.6 million.

Once the Lessee has obtained all necessary project entitlements and has fulfilled the other requirements entitling it to exercise the Option, the Director will present the finalized Lease to the Executive Office for execution by the County Mayor. The finalized Lease will be in substantially similar form to Exhibit B, reflecting revisions necessitated by changes to the project arising from the entitlement process and to facilitate financing.

The Department has obtained an appraisal that confirms the return to the County from the Lease for Parcel IR is equivalent to, or greater than, fair market value.

Implementation of Strategic Plan Goals

In furtherance of County Goal #4, "Fiscal Responsibility," the recommended action will allow the Department to implement that portion of its Strategic Plan that enhances strategic partnerships with existing and prospective lessees through proactive implementation of the Marina del Rey Asset Management Strategy toward both revenue

maximization and property redevelopment. The County's goal of "Service Excellence" is promoted through the development of new visitor-serving facilities at Marina Beach.

The following chart details the proposed deal terms of the Lease as they relate to your Board's existing lease policy:

BOARD POLICY ITEM	PROPOSED DEAL TERMS – PARCEL IR
REDEVELOPMENT Redevelopment of existing improvements	• Construction of a two-building, multi-story, 147-unit, AAA Three Star destination extended stay resort facility (Residence Inn by Marriott) totaling approximately 120,000 square feet. • A minimum of 300 parking spaces, with not less than 212 parking spaces on-site. The hotel project requires 84 parking spaces and Lessee is required to replace the existing 216 Parcel IR public parking spaces (total of 300 parking spaces). The balance of 88 parking spaces can be located on-site or in an off-site parking structure with Lessee paying its pro rata share of the parking structure's construction cost. Parking rates for public parking are subject to County and Coastal Commission approval. Construction to be completed within 18 months of exercise of option, subject to Force Majeure, but in all events within 30 months. • Total development cost not less than $23,600,000. • A Capital Improvement Fund to be funded annually by Lessee in the amount of 1% of gross revenue commencing on the date of receipt of the first Certificate of Occupancy following commencement of construction ("CO Date") and 2% during each year thereafter, except that funding shall commence no later than the beginning of the third year following grant of Option. The Capital Improvement Fund must be fully expended for Permitted Capital Expenditures not later than ten years prior to the expiration date of the Lease. All Permitted Capital Expenditures are subject to prior approval by the Director, not to be unreasonably withheld. • A Renovation Fund to be funded annually by Lessee equal to 2% of annual gross revenue to start in the 11th year of the Lease to be used to physically reposition the project to then current market requirements not earlier than 12 months before and not later than 12 months after the 30th year prior to the expiration date of the Lease. Thereafter, no Renovation Fund shall be required. Lessee and Director to agree on a renovation plan and budget. • A Furniture, Fixture and Equipment Fund to be funded annually by Lessee equal to 1% of gross revenue during the first year following the "CO Date"; 2% during the second year; and 3% during each year thereafter; except that funding shall commence no later than the beginning of the third year following grant of Option.
LEASE TERM	• Option for a 60-year lease for Parcel IR.

EXTENSION FEE Fee equal to or commensurate with value of the extension	• Not applicable for a new lease. • Option Fee of $100,000, payable immediately upon Board approval of Option. Option Fee payment is non-refundable if Option is not exercised.
MARKET RATE RENTS Ensure fair market rents	• Minimum annual rent of $100,000 per year to commence upon exercise of Option and will continue through earlier of CO Date or Required Completion Date. Minimum annual rent for three years following the earlier of CO Date or Required Completion Date equal to 75% of total annual average rent due to County based on Lessee's projected gross revenues for first three years of operation, to be provided by Lessee and reasonably approved by County. Commencing with the fourth year after the earlier of CO Date or Required Completion Date, and every 3 years thereafter, the minimum rent to be reset, equal to 75% of the previous 3 years average annual total rent paid to County. • Percentage Rents: Hotel – 7.5% Parking (Commissions) – 20% Parking (Lessee operated) – 5% Food & Beverage – 3.5% Bar/Cocktail Lounge – 10% Vending (Commissions) – 25% Vending (Owned) – 5% Retail – 4% Misc. Sales – 5% • Percentage and minimum rents are subject to renegotiation to Fair Market Rental ten years after earlier of CO Date or Required Completion Date and every ten years thereafter.
PARTICIPATION IN SALE AND REFINANCE Secure County participation in sale and refinance of leasehold	• First sale and/or refinance are exempt if sale or refinance occurs during the first ten years following CO Date. • Subsequent Sale Participation: Upon second or any subsequent sale or if first sale occurs after the tenth year, greater of 5% of gross proceeds or 20% of net proceeds upon assignment or other direct or indirect transfer of leasehold, however, gross proceeds must exceed 105.26% of Lessee's Cost Basis for participation in gross proceeds to be triggered. • Subsequent Refinance Participation: 20% of net loan proceeds not reinvested in leasehold. • Transfers to be permitted to affiliates or related parties (for estate planning purposes or otherwise) without triggering obligation for Sale Participation.
COUNTY ADMINISTRATIVE COSTS Ensure payment for County costs for lease negotiation and administration	• Not applicable for a new lease.

EXTENSION FEE Fee equal to or commensurate with value of the extension	• Not applicable for a new lease. • Option Fee of $100,000, payable immediately upon Board approval of Option. Option Fee payment is non-refundable if Option is not exercised.
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COUNTY ADMINISTRATIVE COSTS Ensure payment for County costs for lease negotiation and administration	• Not applicable for a new lease.

COUNTY INCOME CONTINUITY Ensure County revenue flow during redevelopment	• Minimum annual rent of $100,000 per year to commence upon exercise of Option and will continue through earlier of CO Date or Required Completion Date.
RIGHT TO RECAPTURE	• County shall have the right to purchase the leasehold interest if Lessee desires to either assign or sell the leasehold or a controlling interest in Lessee.
LEASE ASSIGNMENT-DISCLOSURE ISSUES	• Lessee has agreed to County disclosure requirements as to identity, operating experience and character/reputation of proposed assignees, as well as to disclosure of financial information in conformity with County policies. • After the certificate of occupancy is issued, the Lease shall be assignable only to a party who is (i) an experienced hotel operator, or affiliated (contractually or otherwise) with an experienced hotel operator; or, (ii) a party who has a nationwide reservation system, or who is affiliated (contractually or otherwise) with a party who has a nationwide reservation system.
APPRAISAL	• The Department has obtained an independent appraisal confirming the return to the County from the Lease is equivalent to, or greater than, fair market value.
HOTEL OPERATOR	• Throughout the term of the Lease, an experienced hotel operator with a nationwide reservation system will operate the hotel.
PROMENADE	• Waterfront Promenade will be constructed in conformance with LCP and Marina design guidelines. In addition to the Waterfront Promenade, Lessee will pay 1/4 of such costs for public improvements at Marina Beach (including, but not limited to, picnic facilities, restrooms and showers, playground equipment and other amenities and related costs), however Lessee's share of costs not to exceed $150,000 (adjusted annually according to the ENR Construction Cost Index with base set on the CO Date).
REGULATORY APPROVALS	• Density, site coverage, open space, view corridors and building height issues are subject to Lessee obtaining all County and Coastal planning and entitlement approvals, including that of Design Control Board. • Lessee must obtain all regulatory approvals within 18 months of grant of Option by Board of Supervisors. If Lessee is unable to obtain all necessary approvals within the 18-month requirement, the Director may grant one six-month extension if Lessee can demonstrate it has diligently pursued those approvals. The foregoing 18-month (or 24-month) period is subject to litigation and appeal tolling provisions.

Additional Matters

OTHER TERMS	1. 10 years prior to expiration of Lease, Lessee to structure funding for removal of improvements (at County's election). 2. Rental renegotiation and insurance disputes subject to rent-a-judge procedure pursuant to "baseball" type arbitration. 3. Maintenance standards for improvements to conform to Marina del Rey standards as revised from time to time. 4. Lease administrative items include: a) late fee of 6% plus interest at prime plus 3% for any late payments; b) security deposit equal to 3 months' minimum rent; c) insurance levels reset/renegotiated upon execution of the Lease and every 5 years thereafter; d) County approval rights over all construction plans and specifications; and e) enhanced audit and record-keeping standards. 5. Liquidated damages of $100 per day (adjusted for inflation) for each cited maintenance deficiency that remains uncured after a specified cure period, to be assessed against the security deposit.

FISCAL IMPACT/FINANCING

The Lease reflects the County's current market rate percentage rents for all relevant categories. It will produce two categories of fiscal benefit to the County: 1) an option fee; and 2) increased revenue due to construction of a new resort hotel on an existing parking lot.

Option Fee

Upon exercise of the Option, Lessee will pay a non-refundable option fee of $100,000.

Increased Revenue Due to New Construction

The total revenue earned from the existing Parcel IR public parking lot during 2005 was approximately $78,000. After construction and stabilization, our economic consultant has estimated that the total County rent from the new hotel project will amount to approximately $703,000 annually, an annual increase of approximately $625,000.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Parcel IR encompasses approximately 2.42 acres of land and is currently utilized as a public parking lot. The proposed Option is the result of negotiations with Lessee and is designed to allow the Lessee to exercise its option and receive the benefits of the Lease upon demonstration that it has satisfied all of the conditions for exercise contained in the Option and has received all planning, zoning, environmental and other entitlement approvals required to be obtained from governmental authorities for the construction of the development project.

Entering into a lease is authorized by Government Code Sections 25907 and 25536. The lease term is in conformance with the maximum 99-year period authorized by California law.

At its meeting of August 9, 2006, the Small Craft Harbor Commission _____ the Director's recommendation that your Board approve the attached Option and Lease, which have been approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION

Approval of the Option is categorically exempt under the California Environmental Quality Act pursuant to class 4(j) of the County's Environmental Document Reporting Procedures and Guidelines. Execution of the Option does not authorize construction of any improvements on the parcel. The discretionary land use entitlements and corresponding environmental documentation necessary to implement the proposed development plan contemplated by the Option will be considered by the Department of Regional Planning.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There will be a loss of existing public parking on Parcel IR during construction. Upon completion of the project, Lessee will have replaced all of the existing Parcel IR parking, either on-site or in a new parking structure currently being planned for Parcel GR and a portion of Parcel 21, near or adjacent to the Marina Beach. Preliminary conceptual planning is underway for the construction of new public amenities on the adjacent Parcel HR (also known as "Marina Beach"), to take place following completion of construction on Parcel IR and other parcels abutting or adjacent to Parcel HR (Marina Beach) on which redevelopment is contemplated, namely Parcels GR, 27R, NR and 33R.

CONCLUSION

Please authorize the Mayor of the Board to execute three originals of the Option and authorize the Executive Officer of the Board to acknowledge the Mayor's signature and return two executed originals of the Option to the Department of Beaches and Harbors and retain one executed original for your files.

Respectfully submitted,

Stan Wisniewski
Director

Attachments (2)

c: Chief Administrative Officer
County Counsel

SW:AK:GB:

LEASE OPTION AGREEMENT
(PARCEL IR)

THIS LEASE OPTION AGREEMENT ("**Agreement**") is made and entered into as of the _____ day of _____, 2006, by and between the COUNTY OF LOS ANGELES ("**County**") and IWF BEACHFRONT HOTEL, L.P., a California limited partnership ("**Lessee**").

RECITALS

A. County owns fee title to certain real property in Marina del Rey commonly known as Parcel IR and more particularly described in Exhibit A attached hereto (the "**Premises**").

B. County and Lessee desire to enter into this Agreement pursuant to which County grants Lessee an option to lease the Premises from County on the terms and conditions set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Lessee agree as follows:

1. **Grant of Option**. County hereby grants to Lessee an option (the "**Option**") to lease the Premises from County for a term of sixty (60) years in accordance with the terms and provisions of a Lease Agreement in the form attached to this Agreement as Exhibit B (the "**Lease**").

2. **Option Term**. The Option shall be exercisable by Lessee during the period commencing on the date of this Agreement and expiring on that date (the "**Option Expiration Date**") which is the earlier of (i) forty-five (45) days following the Entitlement Receipt Date (as defined in Section 3 below), or (ii) eighteen (18) months after the date of this Agreement (the "**Outside Expiration Date**").

3. **Exercise of Option**. The Option shall be exercisable by Lessee only by strict satisfaction on or before the Option Expiration Date of the following terms and conditions: (i) Lessee shall notify County in writing of its exercise of the Option (the "**Option Exercise Notice**"); (ii) Lessee shall accompany the Option Exercise Notice with (A) Lessee's execution and delivery to County of the Lease with any blank or bracketed terms set forth in Exhibit B completed in accordance with the terms and provisions of this Agreement, and (B) Lessee's payment of the amount of the Security Deposit required to be delivered by Lessee under Article 7 of the Lease; (iii) the Entitlement Receipt Date shall have occurred; (iv) Lessee shall have provided evidence satisfactory to County of its having sufficient financial resources, as determined by the Director of the Department of Beaches and Harbors of the County ("**Director**"), to complete the Development Work (as defined below); (v) Director shall have approved all plans, specifications and other materials for the Development Work required to be submitted to Director pursuant to Section 5.3 of this Agreement; (vi) the Public Parking Condition (as defined in Section 5.4 below) is satisfied, and (vii) Lessee shall have entered into a

franchise or hotel management agreement reasonably satisfactory to Director for the operation of the Premises as a Residence Inn By Marriott or another similar national hotel chain of a brand level commensurate with that of Residence Inn By Marriott and that is reasonably acceptable to Director (an "Approved Substitute Hotel"); provided, however, that Homewood Suites (Hilton Hotels) and Staybridge Suites (Intercontinental Hotels) are hereby deemed to be Approved Substitute Hotels.

Upon Lessee's proper and timely exercise of the Option, County shall execute and deliver the Lease not later than forty-five (45) days following the date of Lessee's exercise of the Option. The Effective Date of the Lease (as defined in the Lease) shall be the date the Lease is executed and delivered by County, which date shall be inserted into page 1 of the Lease concurrent with County's execution and delivery thereof. If Lessee's construction financing is in a position to close within the above forty-five (45) day period County agrees to cooperate with Lessee to effectuate a concurrent closing of the construction financing and County's delivery of the Lease such that the Effective Date of the Lease is the same as the date of the close of Lessee's construction financing; provided, however, in no event shall such agreement to cooperate be interpreted to make the execution and delivery of the Lease contingent upon the close of Lessee's construction financing, nor in any event require an extension of the foregoing forty-five (45) day period or the Effective Date of the Lease if Lessee's construction financing is not then in a position to close.

For purposes hereof, the "**Entitlement Receipt Date**" shall mean the date upon which: (a) Lessee has received all planning, zoning and other entitlement approvals required to be obtained from governmental authorities (including County, the Design Control Board, Regional Planning and the California Coastal Commission) for the construction of the Development Work, including without limitation, Design Control Board approval, and Lessee shall have satisfied all conditions to the issuance of any building permit(s) required for the construction of the Development Work, except for the payment by Lessee of the fees required to be paid for the issuance of such building permit(s) (the "**Entitlements**"), and such approvals are final, (b) any appeal period to contest the issuance of the Entitlements shall has lapsed, and (c) there is no proceeding or litigation pending to appeal the issuance of the Entitlements, or to enjoin or restrain the performance of the Development Work (not including any proceeding or litigation brought by or on behalf of any partner, shareholder or member of, or any other person or entity affiliated with, or otherwise directly or indirectly having an ownership interest in, Lessee (a "**Lessee Affiliate**")), or if such a proceeding or litigation has been pending, then the issuance of a dismissal, decision or judgment rendered thereon in favor of the validity of the Entitlements, which dismissal, decision or judgment is not subject to further appeal. For purposes of this Agreement, the "**Development Work**" shall have the meaning given such term in Section 5.1 of the Lease.

4. **Option Fee**. In consideration of County's grant of the Option to Lessee, Lessee shall pay to County concurrent with Lessee's execution of this Agreement the sum of One Hundred Thousand Dollars ($100,000.00) (the "**Option Fee**"). The Option Fee shall be non-refundable.

5. **Entitlements and Plan Preparation During Option Term**.

5.1 **Obtaining Entitlements**. Lessee shall use its best efforts to obtain the Entitlements and to cause the Entitlement Receipt Date to occur as soon as possible following the date of this Agreement. Such efforts shall include Lessee's expenditure of such funds, including, without limitation, application fees, travel costs, architectural fees and consulting and lobbying fees, as reasonably necessary to expedite the permit, license and other approval processes.

5.2 **County Cooperation**. In its proprietary capacity, the Department of Beaches and Harbors of the County of Los Angeles (the "**Department**") shall cooperate with and assist Lessee, to the extent reasonably requested by Lessee, in Lessee's efforts to obtain the Entitlements. Such cooperative efforts may include the Department's joinder in any application for the Entitlements where joinder therein by the Department is required or helpful; provided, however, that Lessee shall reimburse County for the Actual Costs (as defined in the Lease) 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 Agreement and/or the Lease shall be approvals pursuant to its authority under Section 25907 of the California Government Code and given in its proprietary capacity; that approvals given under this Agreement and/or the 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 the Development Work and operation and other use of the Premises; and that the Department's duty to cooperate and County's approvals under this Agreement and/or the 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 Agreement and/or the Lease.

5.3 **Plans and Specifications for Development Work**. The Development Work shall be constructed by Lessee in accordance with and subject to the terms and provisions of Article 5 of the Lease. The requirements of Article 5 of the Lease include, without limitation, the obligation of Lessee to prepare and submit to the Director for the Director's approval certain plans, specifications, construction cost estimates and other materials pertaining to the Development Work, as set forth in more detail in Section 5.3 of the Lease. The schedule for the preparation, submittal and approval of such plans, specifications, construction cost estimates and other materials shall generally proceed in accordance with the terms and provisions of the Lease. Notwithstanding the foregoing, during the period commencing on the date of this Agreement and expiring on the earlier of Lessee's exercise of the Option or the Option Expiration Date, Lessee shall prepare and submit to Director for Director's approval, any portions of the plans, specifications and other materials described in Section 5.3 of the Lease that are required to be submitted to governmental authorities (including the County, the Design Control Board and the California Coastal Commission) in connection with Lessee's applications for and/or receipt of the Entitlements for the Development Work. Lessee shall accompany such plans, specifications and other materials with the construction cost estimates described in such Section 5.3, as applicable. The standards and time periods for Director's review and approval of the materials submitted by Lessee pursuant to this Section 5.3 shall be in accordance with the terms and provisions of Section 5.3 of the Lease, which terms and provisions are hereby incorporated into this Agreement by reference. Such plans, specifications and other materials shall be prepared and submitted to Director by Lessee in accordance with a schedule which shall facilitate Lessee's satisfaction of all conditions precedent to the exercise of the Option on or before the Option

Expiration Date. In addition to the plans, specifications and materials required to be submitted by Lessee to Director pursuant to this Section 5.3, Lessee shall have the right, at its election, to deliver to Director, for Director's approval, additional plans, specifications and materials pertaining to the Development Work. Director shall notify Lessee of its approval or disapproval of such additional plans, specifications and materials within the time frames and in accordance with the requirements of Section 5.3 of the Lease.

5.4 **Replacement Public Parking**.

5.4.1 **General Requirement**. The Premises currently contains two hundred sixteen (216) existing public parking spaces that will be required to be replaced in connection with the development of the Development Work (the "**Required Replacement Public Parking Spaces**"). In addition, depending on the exact size of the hotel project to be constructed by Lessee on the Premises, the hotel project is expected to require the development of approximately eighty-four (84) parking spaces to satisfy applicable parking code requirements for the hotel project. The exact number of parking spaces actually required to satisfy applicable parking code requirements for the hotel project is referred to as the "**Required Hotel Parking Spaces**." Subject to Section 5.4.2 below, Lessee shall construct on the Premises as part of the Development Work not less than two hundred eighty (280) on-site parking spaces (the "**Minimum Parking Requirement**"). The amount by which the sum of the Required Replacement Public Parking Spaces and the Required Hotel Parking Spaces exceeds two hundred eighty (280) parking spaces is referred to as the "**Additional Required Public Parking Spaces.**" The requirement for the construction of Additional Required Public Parking Spaces shall be satisfied by one or a combination of the following, at Lessee's election: (a) the construction of additional public parking spaces on the Premises at Lessee's cost, or (b) the development of public parking on a portion of existing Parcel 21 (the "**Off-Site Parking Parcel**"). If Lessee elects to satisfy the Additional Required Public Parking Spaces in whole or in part with the construction of public parking facilities on the Off-Site Parking Parcel, then Lessee shall be responsible for a pro rata share of the cost of the development of public parking facilities on the Off-Site Parking Parcel (based on the number of the Additional Required Public Parking Spaces for the Premises constructed on the Off-Site Parking Parcel as compared to the total number of public parking spaces constructed on the Off-Site Parking Parcel).

The terms and conditions of the operation of any on-site public parking located on the Premises, including without limitation, the parking rates for the use of such parking, shall be subject to the approval of County and the California Coastal Commission. Lessee shall be responsible for the cost of the operation of any on-site public parking located on the Premises and shall be entitled to retain the revenues from such operation (subject to Lessee's Percentage Rent obligations under the Lease). Lessee shall not be responsible for the cost of the operation, repair or maintenance of any off-site public parking on the Off-Site Parking Parcel, nor be entitled to any revenues from such operation.

The conditions to the exercise by Lessee of the Option shall include the following additional conditions (collectively, the "**Public Parking Condition**"): (i) the approval by Director of Lessee's plans and specifications for the parking to be constructed on the Premises, including without limitation, the number of parking spaces to be constructed on-site

and the number of parking spaces to be developed off-site on the Off-Site Parking Parcel (the "**Approved Parking Plan**"), (ii) if the Approved Parking Plan includes the development of off-site public parking on the Off-Site Parking Parcel, the acquisition by County of the right to develop such parking on the Off-Site Parking Parcel and the execution by County, Lessee and any other third parties involved in the development of public parking on the Off-Site Parking Parcel of documentation reasonably satisfactory to Director regarding the development of such public parking, including without limitation, the sharing of the cost of the development of such public parking, (iii) the receipt of any applicable governmental approvals related to the satisfaction of the Required Replacement Public Parking Spaces, and such governmental approvals are final and not subject to further appeal (or any appeal has been resolved in favor of the validity of such governmental approvals), and (iv) the documentation in a manner reasonably acceptable to Director and Lessee in Sections 5.1 and 15.22 of the Lease (and a separate recorded covenant if required by applicable governmental authorities) of the terms and provisions of the Required Replacement Public Parking Spaces, the Required Hotel Parking Spaces, the Additional Required Public Parking Spaces and the other matters set forth in this Section 5.4 based on the Approved Parking Plan. For purposes of clause (i) above, Director hereby acknowledges its approval of the parking plan attached to this Agreement as Exhibit C (the "**Current Parking Plan**") which provides for two hundred eighty (280) on-site parking spaces (including sixty-nine (69) spaces in the area marked as "**Existing Parking**" on the Interim Site Plan attached as a part of Exhibit C (the "**Existing Parking Area**")) and twenty (20) off-site parking spaces.

5.4.2 **Potential Widening of Admiralty Way**. The parties acknowledge that at some date in the future the County, in its governmental capacity, or another applicable governmental authority, may designate (including, if applicable, acquisition by eminent domain) a portion of the Premises to be used for public street purposes in connection with the widening of Admiralty Way. Under the Current Parking Plan, it is contemplated that sixty-nine (69) of the on-site parking spaces will be constructed as surface parking in the Existing Parking Area. The Existing Parking Area is under consideration for inclusion in a potential future widening of Admiralty Way. If Lessee is unable to obtain governmental permits and approvals for the construction of all or a portion of the above-described sixty-nine (69) surface parking spaces in the Existing Parking Area because of any then current or future widening or proposed widening of Admiralty Way, then the number of Required Replacement Public Parking Spaces and the Minimum Parking Requirement shall each be reduced by that number of the above-described sixty-nine (69) spaces for which Lessee is unable to obtain governmental permits and approvals. If, notwithstanding the withholding of governmental permits and/or approvals for the construction of the above surface parking spaces in the Existing Parking Area, the number of replacement public parking spaces required as a condition to the receipt by Lessee of the Entitlements is not reduced by at least the same number of the foregoing spaces for which governmental permits and/or approvals are withheld, then County shall be responsible for providing the shortfall in such replacement public parking spaces at one or more off-site locations at County's sole cost and expense. If Lessee obtains approval for the construction of surface parking in the Existing Parking Area, then Lessee shall construct such surface parking as part of the Development Work under the Lease.

Prior to the execution of the Lease, County shall have the right to exclude from the Premises all or any portion of the area shown on Exhibit C as the "Future Road Configuration" and related median areas generally located to the West of the Future Road Configuration area (collectively, the "**Street Widening Area**"). If County elects to exclude the Street Widening Area (or a portion thereof) from the Premises, then such election shall be treated in the same manner as set forth in the immediately preceding paragraph as if Lessee had been unable to obtain governmental permits and approvals for the construction of the surface parking spaces in such excluded area (i.e., the number of Required Replacement Public Parking Spaces and the Minimum Parking Requirement shall each be reduced by the number of surface parking spaces that were contemplated to be located in the excluded area under the Current Parking Plan, and if applicable governmental authority continues to require all or any portion of such surface parking spaces to be provided as replacement public parking spaces, then County shall be responsible for providing such replacement public parking spaces at County's sole cost and expense). If the Street Widening Area is not excluded from the Premises prior to the execution of the Lease, but the Lessee's leasehold interest in the Street Widening Area is later acquired by applicable governmental authority for street widening purposes, then the terms and provisions of Section 6.8 of the Lease shall be applicable.

Except as provided in this Section 5.4.2 or Section 6.8 of the Lease, the widening of Admiralty Way in the Street Widening Area (or any portion thereof) shall not affect the parties' rights and obligations under this Agreement and Lessee shall not be entitled to any compensation or reduction in rent payable under the Lease in connection therewith.

6. **Delay in Exercise of Option**.

6.1 **Delay in Receipt of Entitlements**. If Lessee, despite its best efforts, is unable to cause the Entitlement Receipt Date to occur on or before the eighteen (18) months after the date of this Agreement as a result of a delay beyond normal entitlement processing periods in the processing by the applicable governmental authorities of Lessee's applications for the Entitlements (an "**Extraordinary Governmental Delay**"), or if, despite Lessee's best efforts, the Public Parking Condition has not been satisfied within eighteen (18) months after the date of this Agreement due to circumstances pertaining to site acquisition, participation by the lessees of other parcels, governmental approval matters regarding the development of off-site public parking facilities on the Off-Site Parking Parcel that are beyond Lessee's control, or, if County becomes responsible for providing replacement public parking spaces pursuant to Section 5.4.2 above, County's delay in providing such spaces (a "**Public Parking Condition Delay**"), then the Director may, in the exercise of its reasonable discretion, grant Lessee one or more extensions of the Outside Expiration Date. Any such extension shall be limited to the period of the Extraordinary Governmental Delay and/or Public Parking Condition Delay (as applicable) and in no event shall such extensions, in the aggregate, extend beyond two (2) years after the date of this Agreement; provided, however, in the case of a Public Parking Condition Delay, Director shall have the authority to grant extensions of the Outside Expiration Date to up to thirty (30) months after the date of this Agreement. If Director shall determine not to grant Lessee an extension as provided above, then Lessee shall have the right, within thirty (30) days following Director's denial, to submit a written request to the Board of Supervisors of County to reconsider such denial by the Director.

6.2 **Contest Delay**. If as of the Outside Expiration Date (as such date may have been extended by Director pursuant to Section 6.1 above), the Entitlement Receipt Date has not occurred or the Public Parking Condition has not been satisfied (i) because the Development Work or matters pertaining to the satisfaction of the Public Parking Condition are the subject of a pending proceeding or litigation to appeal the issuance of the Entitlements or governmental approvals pertaining to the satisfaction of the Public Parking Condition, or to enjoin or restrain the performance of the Development Work or the development of the parking facilities required to satisfy the Public Parking Condition (other than any proceeding or litigation brought by or on behalf of a Lessee Affiliate), or (ii) because of a moratorium, temporary restraining order, injunction or other court order which prohibits the issuance of the Entitlements for the Development Work or the governmental approvals for the parking facilities required to satisfy the Public Parking Condition, and such moratorium, temporary restraining order, injunction or other court order also pertains to all other similar projects in Marina del Rey on land leased from the County, then as long as Lessee continues to diligently prosecute or pursue the defense or removal of such proceeding, litigation, moratorium or court order, the Outside Expiration Date shall be extended until not later than forty-five (45) days following the date that such proceeding, litigation, moratorium or court order is resolved in favor of the issuance or validity of the Entitlements or governmental approvals pertaining to the satisfaction of the Public Parking Condition (as applicable), with no further right of appeal; provided, however, in no event shall the Outside Expiration Date be extended beyond the fourth (4th) anniversary of the date of this Agreement. Lessee shall not be required to pay to County a fee for any extension of the Option Expiration Date pursuant to this Section 6.2.

6.3 **General Requirements for an Extension of the Outside Expiration Date**. The Outside Expiration Date shall not be extended under this Section 6 if Lessee is in breach or default of this Agreement. No Extraordinary Governmental Delay shall be considered to have commenced under Section 6.1 above until such time as Lessee shall have notified Director in writing of such delay. If Lessee desires to have the Outside Expiration Date extended pursuant to this Section 6, then Lessee must deliver written notice to Director of its request for the extension not later than thirty (30) days prior to the Outside Expiration Date, as such date may have been previously extended; provided, however, that if the basis for the extension does not arise until later than thirty (30) days prior to the Outside Expiration Date, then Lessee shall be required to deliver its written request for the extension promptly following its discovery of the basis for the requested extension.

7. **Right of Inspection**. During the period from the date of this Agreement until the earlier of the termination of this Agreement or Lessee's exercise of the Option, County shall permit Lessee and its authorized agents and representatives to enter upon the Premises at reasonable times during normal business hours to inspect and conduct tests and studies of the Premises that Lessee desires to conduct, subject to County's right to approve any intrusive tests or studies, which approval shall not be unreasonably withheld. Lessee shall notify County, in writing, of its intention, or the intention of its agents or representatives, to enter the Premises at least forty-eight (48) hours prior to such intended entry and shall obtain Seller's prior written consent to any intrusive inspections, tests and studies to be conducted. As a condition to any entry onto the Premises, Lessee shall first execute a right of entry agreement in form satisfactory

to County. County shall have the right to be present for any inspection, test or study. Lessee shall bear the cost of all inspections, tests and studies pertaining to the Premises.

8. **Miscellaneous**.

8.1 **Time is of the Essence**. Time is of the essence of this Agreement, including, without limitation, with respect to all times, restrictions, conditions and limitations set forth herein.

8.2 **Waivers**. 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 or provisions of this Agreement 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 provision of this Agreement, nor shall failure on the part of either party to require exact, full and complete compliance with any of the covenants, conditions, terms or provisions of this Agreement be construed to in any manner change the terms hereof or estop that party from enforcing the full provisions hereof.

8.3 **Notices**. All notices required or permitted to be given under this Agreement shall be given in accordance with the terms and provisions of Section 15.10 of the Lease.

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

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

8.6 **No Assignment**. Lessee shall have no right to assign or transfer its rights or obligations under this Agreement to any other person or entity, without the express written consent of County, which consent may be withheld by County in its sole and absolute discretion.

8.7 **Entire Agreement**. This Agreement sets forth the full and complete understanding of the parties relating to the subject matter hereof, and supercedes any and all agreements, understandings and representations made prior hereto with respect to such matters.

8.8 **Joint Effort**. Preparation of this Agreement has been a joint effort of the parties, and the resulting document shall not be construed more severely against one of the parties than against the other.

8.9 **Applicable Law**. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

8.10 **Counterparts**. This Agreement may be signed in any number of counterparts. Each counterpart shall represent an original of this Agreement and all such counterparts shall collectively constitute one fully-executed document.

8.11 **Successors and Assigns**. Subject to Section 8.6 above, the rights and obligations of the parties under this Agreement shall be binding upon the parties' respective successors and assigns.

8.12 **Exhibits**. Exhibits A and B attached to this Agreement are hereby expressly incorporated into this Agreement by reference.

IN WITNESS WHEREOF, County and Lessee have entered into this Agreement as of the day and year first written above.

THE COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

IWF BEACHFRONT HOTEL, L.P., a California limited partnership

By: IWF Beachfront Hotel LLC, a California limited liability company, its general partner

By: Invest West Financial LLC, a California limited liability company, its sole member

By: _____
Matthew D. Marquis, Vice President

ATTEST:

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

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
COUNTY COUNSEL

By: _____
Deputy

APPROVED AS TO FORM:

MUNGER, TOLLES & OLSON LLP

By: _____

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EXHIBIT A

LEGAL DESCRIPTION OF PREMISES

MARINA DEL REY IR
A.P.N. 4224-004-901
T.G. 671-J7
I.M. 099-137
Fourth District
M06D186501

LEGAL DESCRIPTION

Marina Del Rey
Lease Parcel No. IR

Parcels 402, 403, 404, and 405, as shown on Los Angeles County Assessor's Map No. 88, recorded in Book 1, pages 53 to 70, inclusive, of Assessor's Maps, in the office of the Registrar-Recorder/County Clerk of the County of Los Angeles.

EXCEPTING therefrom all that portion within that certain parcel of land described as Part A, VIA MARINA 1-23 in that Resolution of the Board of Supervisors of said County, a certified copy of which was recorded on October 6, 1971, as Document No. 2778, of Official Records, in the office of said Registrar-Recorder/County Clerk.

Containing: 2.422 ± Acres.

APPROVED AS TO DESCRIPTION
January 25, 2006
COUNTY OF LOS ANGELES
By
SUPERVISING CADASTRAL ENGINEER II
Mapping and Property Management Division

This real property description has been prepared in conformance with the Professional Land Surveyors Act. The signatory herein is exempt pursuant to Section 8726 of the Land Surveyors Act.

Hc: C:\MyFiles\LegalDescription\Marina Del Rey Parcel IR.doc

EXHIBIT B

LEASE

Exhibit B

LEASE AGREEMENT

by and between

County of Los Angeles

and

IWF Beachfront Hotel, L.P.,
a California limited partnership

(Parcel IR — Lease No. ____)

Dated as of _____, _____

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LEASE AGREEMENT
PARCEL IR — MARINA DEL REY

THIS 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 IWF BEACHFRONT HOTEL, L.P., a California limited partnership (together with its permitted successors and assigns, "**Lessee**"), as lessee.

WITNESSETH

WHEREAS, County owns fee title to certain real property in Marina del Rey commonly known as Parcel IR and more particularly described in Exhibit A attached hereto (the "**Premises**").

WHEREAS, County and Lessee have entered into that certain Lease Option Agreement dated _____, 2006 (the "**Option Agreement**"), pursuant to which County has granted Lessee an option (the "**Option**") to lease the Premises from County on the terms and conditions set forth in this Lease; 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 other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto and each of them do agree as follows:

1. BACKGROUND AND GENERAL.

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

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 "**ADJUSTMENT DATES**" shall have the meaning set forth in subsection 4.2.1.4.

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

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

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

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

1.1.9 "**APPLICABLE COSTS**" shall have the meaning set forth in subsection 4.8.1 or 4.8.2, as applicable.

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

1.1.11 "**APPLICABLE RATE**" shall mean an annually compounded rate of interest equal to the lesser of (a) ten percent (10%) per annum or (b) the Prime Rate, as defined in subsection 4.3.5, plus three percent (3%) per annum; however, the Applicable Rate shall in no event exceed the maximum rate of interest which may be charged pursuant to Applicable Laws. In the event that the Applicable Rate as determined by the first sentence of this definition exceeds such maximum rate of interest, then the Applicable Rate shall be deemed the maximum rate permissible under Applicable Laws notwithstanding the first sentence of this definition.

1.1.12 "**APPROVED GOVERNMENTAL CHANGES**" shall mean any changes to the Development Work (or other Alterations, as applicable) required by the California Coastal Commission or other applicable governmental agency as a condition to the issuance of required governmental permits and approvals for such Development Work (or other Alterations, as applicable), except for any change that is a Material Modification.

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

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

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

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

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

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

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

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

1.1.21 **"CAPITAL IMPROVEMENT FUND"** shall have the meaning set forth in Section 5.13.

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

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

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

1.1.25 **"CO DATE"** shall mean the date of the issuance of the first certificate of occupancy (whether temporary or permanent) for the hotel to be constructed as part of the Development Work.

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

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

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

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

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

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

1.1.32 **"COUNTY POOL RATE"** shall have the meaning set forth in subsection 4.3.5 of this Lease.

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

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

1.1.35 **"DEVELOPMENT PLAN"** shall have the meaning set forth in Section 5.1.

1.1.36 **"DEVELOPMENT WORK"** shall have the meaning set forth in Section 5.1.

1.1.37 **"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.

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

1.1.39 **"DOCUMENTED TRANSACTION COSTS"** shall have the meaning set forth in subsection 4.8.1.3.

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

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

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

1.1.43 **"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.

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

1.1.45 **"EXCLUDED CONDITIONS"** shall mean any sewer, storm drain or other improvements dedicated to and accepted by the Department of Public Works of the County;

1.1.46 **"EXCLUDED TRANSFERS"** shall have the meaning set forth in subsection 4.6.2.

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

1.1.48 **"FAIR MARKET RENTAL VALUE"** shall have the meaning set forth in subsection 4.3.1.

1.1.49 **"FINAL PLANS AND SPECIFICATIONS"** shall have the meaning set forth in subsection 5.3.3.

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

1.1.51 **"FIRST DEPOSIT MONTH"** shall have the meaning set forth in Section 5.13.

1.1.52 **"FORCE MAJEURE"** means fire, earthquake, flood, tornado or other act of God, civil disturbance, war, organized labor dispute, freight embargo or other similar cause or event beyond the control of Lessee.

1.1.53 **"FORCE MAJEURE DELAY"** shall have the meaning set forth in subsection 5.6.1.

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

1.1.55 **"GROSS PROCEEDS"** shall have the meaning set forth in Section 4.8.

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

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

1.1.58 **"IMPROVEMENT COSTS"** shall have the meaning set forth in subsection 4.8.1.2.

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

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

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

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

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

1.1.64 **"LEASE"** shall mean this Lease Agreement.

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

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

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

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

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

1.1.70 **"MATERIAL MODIFICATION"** shall mean a modification to the Development Work (or other Alterations, as applicable) as to which any one of the following applies: (1) the total cost of the modifications exceeds one percent (1%) of the total estimated construction cost of the Development Work (or the other Alterations that are then proposed to be constructed by Lessee); (2) the proposed modification is structural in nature; (3) the modification affects or is visible from the exterior of the Improvements; (4) the modification is not in compliance with the Permitted Uses under this Lease; (5) the modification (a) changes the number of hotel rooms by more than ten percent (10%), or (b) reduces the number of parking spaces; or (6) the modification pertains to the Promenade.

1.1.71 **"MINIMUM STANDARDS"** shall mean 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 commercial projects in Marina del Rey.

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

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

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

1.1.75 **"NET REFINANCING PRO**CEEDS" shall have the meaning set forth in subsection 4.8.5.

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

1.1.77 **"NOTICE OF COMPLETION"** shall have the meaning set forth in subsection 5.7.7.

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

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

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

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

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

1.1.83 **"PERMITTED CAPITAL EXPENDITURES"** shall have the meaning set forth in Section 5.13.

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

1.1.85 **"PREMISES"** shall have the meaning set forth in the preamble to this Lease.

1.1.86 **"PRIME RATE"** shall have the meaning set forth in subsection 4.3.5.

1.1.87 **"PROMENADE"** shall have the meaning set forth in Section 15.20.

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

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

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

1.1.91 **"REMOVAL SECURITY FUND"** shall have the meaning set forth in subsection 2.3.2.

1.1.92 **"RENEGOTIATION DATES"** shall have the meaning set forth in Section 4.3.

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

1.1.94 "**REQUIRED COMPLETION DATE**" shall have the meaning set forth in Section 5.6.

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

1.1.96 "**SECTION**" shall mean a section of this Lease.

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

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

1.1.99 "**STATE**" shall mean the State of California.

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

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

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

1.1.103 "**SUBSECTION**" shall mean a subsection of a Section of this Lease.

1.1.104 "**SUBSEQUENT RENOVATION**" shall have the meaning set forth in Section 5.11.

1.1.105 "**SUBSEQUENT RENOVATION FUND**" shall have the meaning set forth in Section 5.12.

1.1.106 "**SUBSEQUENT RENOVATION PLAN**" shall have the meaning set forth in Section 5.11.

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

1.1.108 "**THREE STAR HOTEL STANDARD**" shall have the meaning set forth in Section 3.1.

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

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

1.1.111 "**UNREASONABLE COUNTY ACTIVITY**" shall have the meaning set forth in subsection 5.6.2.

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

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

1.2.1 **As-Is**. Lessee accepts the Premises and existing Improvements 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. Lessee hereby represents that in connection with its exercise of the Option and its acceptance of the Premises Lessee has been given the opportunity to perform such tests, inspections, reviews studies and investigations respecting the Premises and the existing Improvements as it considers necessary or appropriate to adequately evaluate the condition and other aspects of the Premises. Lessee hereby accepts the Premises and the existing Improvements 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 the County, 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.

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.

2. **TERM**.

2.1 **Term**. The term of the Lease ("**Term**") shall commence on the Effective Date and, unless terminated sooner in accordance with the provisions of this Lease, expire at 11:59 p.m. on _____ [INSERT DATE THAT IS DAY PRECEDING THE 60TH ANNIVERSARY OF THE EFFECTIVE DATE]. For purposes of this Lease, "**Lease Year**" shall mean each calendar year (or partial calendar) during the Term of this Lease. Notwithstanding the foregoing, with respect to any provision in this Lease that refers to a specified number of Lease Years after the Effective Date, the number of Lease Years after the Effective Date shall be calculated based on the following: (a) if the Effective Date is prior to July 1 of a calendar year , then the first Lease Year after the Effective Date shall mean the period from the Effective Date through December 31 of the calendar year during which the Effective Date occurs, and (b) if the Effective Date is on or after July 1 of a calendar year, then the first Lease Year shall mean the period from the Effective Date through December 31 of the calendar year following the calendar year during which the Effective Date occurs.

2.2 **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 or hereafter constructed by Lessee upon the Premises, and all alterations, additions, or betterments made thereto by Lessee.

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

2.3.1 **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.

2.3.2 **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 the later of (a) one (1) year following Lessee's delivery of the removal cost report described above, or (b) nine (9) years prior to the expiration of the Term, or concurrently upon any earlier termination, of County's election to reserve the right 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 Improvements of any kind whatsoever placed or maintained on the Premises, whether placed thereon or maintained by Lessee or others, including, but not limited to, concrete foundations, pilings, structures and buildings. If County reserves the right to require the removal of Improvements in the County Removal Notice, then County shall have the right to notify Lessee in writing not later than two (2) years prior the expiration of the Term as to whether County in fact desires to exercise such reserved right. If County fails to notify Lessee in writing pursuant to the immediately preceding sentence by the date that is two (2) years prior to the expiration of the Term, then County shall be deemed to have elected to require Lessee to remove the Improvements in accordance with the County Removal Notice. If County requires Lessee to remove the Improvements, then Lessee shall, upon the expiration or termination of this Lease, immediately restore, and quit, and peacefully surrender possession of, the Premises to County in good, usable and buildable condition, consisting of a level, graded buildable pad with no excavations, hollows, hills or humps.

If County has elected to require Lessee to remove the Improvements, Lessee shall have the right, by written notice to County not later than thirty (30) days prior to the expiration of the Term, to extend the date by which Lessee must complete the Improvement removal and Premises surrender obligations under this subsection 2.3.2 and/or the Lessee's removal obligations under subsection 2.3.4 below, for a period (the "**Removal Extension Period**") of not more than one hundred twenty (120) days after the expiration of the Term; provided, however, that Lessee shall be required to pay to County concurrent with Lessee's extension notice Monthly Minimum Rent (calculated at the rate in effect immediately prior to the expiration of the Term) for the Removal Extension Period. The aggregate amount of Monthly Minimum Rent for the entire Removal Extension Period shall be paid by Lessee to County in advance as a condition to the extension described in this paragraph. During the Removal Extension Period all of the Lessee's other obligations and liabilities under the Lease (other than the obligation to affirmatively operate the Premises and other than the obligation to pay any Monthly Minimum Rent over and above the advance Monthly Minimum Rent paid by Lessee as provided above) shall be applicable, including without limitation, the Lessee's obligations with respect to insurance and indemnification.

If County elects to reserve the right to require Lessee to remove Improvements hereunder pursuant to the County Removal Notice, then 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 (the "**Removal Security Fund**"), 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 Removal Security Fund, which schedule shall in all events provide for a full funding of the Removal Security Fund not later than two (2) years prior to the expiration of the Term. The amount of the Removal Security Fund 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 Removal Security Fund of an amount less than that set forth in the expert report. If County requires Lessee to establish a Removal Security Fund, then Lessee shall have the right to credit to such removal fund the monthly Capital Improvement Fund deposits thereafter required to be made by Lessee during the remaining Term pursuant to Section 5.13 of this Lease, to the extent that in the Director's sole and absolute judgment sufficient funds remain available from time to time in the Capital Improvement Fund to satisfy the purposes of Section 5.13 of this Lease. Any uncured failure by Lessee to fund the Removal Security Fund as required under this subsection 2.3.2 shall constitute an Event of Default.

If County requires the Removal Security Fund, Lessee shall have the right to use all amounts remaining in the Capital Improvement Fund at the end of the Term for the Improvement removal purposes described in this subsection 2.3.2, if and to the extent that such funds were not required for Capital Improvement Fund purposes. If a Removal Security Fund is required, but County does not require the removal of the Improvements at the end of the Term, then the Removal Security Fund (including any Capital Improvement Funds that were transferred to the Removal Security Fund and were not required for Capital Improvement Fund purposes under Section 5.13) shall be returned to Lessee.

If County decides not 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.

2.3.3 **County's Right to Remove Improvements**. If Lessee fails to perform demolition, removal and restoration obligations required to be performed by Lessee hereunder, then County may, at its election, sell, remove or demolish the Improvements, and such event, 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.

2.3.4 **Duty to Remove Equipment, Etc**. No later than the expiration of the Term or sooner termination of this Lease (or within the additional one hundred twenty

(120) day period described in subsection 2.3.2 above), 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 thirty (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.

2.3.5 **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 company or other third party provider. 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 a hotel facility operated as a destination extended stay resort in accordance with a standard of operation at least commensurate with a Three Star Hotel Standard ("**Permitted Uses**"). "**Three Star Hotel Standard**" means a hotel rated at least "three diamond" (or if the rating system changes, then a rating equivalent to the three diamond hotel standard as of the Effective Date) under the hotel rating system of the American Automobile Association (or its successor), provided that if the American Automobile Association (or its successor) ceases to publish hotel ratings, then "**Three Star Hotel Standard**" shall mean the most substantially equivalent rating to such above-described rating under such other rating system that is then generally recognized by the hotel industry. If in connection with any change in, or choice of a replacement, rating system County and Lessee are unable to agree upon such changed or replacement rating system, then the dispute shall be resolved in accordance with the procedures set forth in Article 16 of this Lease.

The Premises shall initially be operated under the trade name "Residence Inn by Mariott" or another trade name reasonably acceptable to Director. Lessee shall have no right to change the trade name of the Premises without the prior written consent of Director, which consent shall not be unreasonably withheld. Throughout the Term of the Lease the Premises shall be operated by an experienced hotel operator with a nationwide reservation system in which the Premises participates. Lessee shall have no right to change the operator of the Premises without County's prior written consent, which consent shall be granted or denied in accordance with the reasonable judgment of County. Notwithstanding any contrary provision hereof, any change to the trade

name or the operator of the Premises shall be consistent with the operation of the Premises in accordance with a standard at least commensurate with the Three Star Hotel Standard.

Except as specifically provided herein, the Premises shall not be used for any purpose other than the Permitted Uses, without the prior written consent of County. County makes no representation or warranty regarding the continued legality of the Permitted Uses or any of them, and Lessee bears all risk of an adverse change in Applicable Laws.

3.2 **Prohibited Uses**. Notwithstanding the foregoing:

3.2.1 **Nuisance**. Lessee shall not conduct or permit to be conducted any private or public nuisance on or about the Premises, nor commit any waste thereon. No rubbish, trash, waste, residue, brush, weeds or undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate upon any portion of the Premises, except in appropriate receptacles intended for such purposes, nor shall any portion of the Premises be maintained so as to render said Premises a fire hazard or unsanitary, unsightly, offensive, or a risk 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 Development 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 in violation of any Applicable Laws;

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

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 reasonable 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 (a) 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, 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

3.3 **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 (except to the extent that Lessee is prevented from doing so due to Force Majeure, temporary interruption as necessary for maintenance and repair, or temporary interruption as necessary to accommodate renovation, alteration or other improvement work required or permitted to be performed by Lessee under this Lease (collectively, "**Operating Covenant Exceptions**")) in light of these objectives, consistent with the operation of comparable hotel 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 Improvements on the Premises shall be open every day of the year for at least hours commensurate with the hours of operations of other similar hotel facilities in Los Angeles County, California, subject to Operating Covenant Exceptions and except for such holidays, if any, during which similar businesses in Marina del Rey are customarily closed.

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 No(s). _____ **[PRIOR TO LEASE EXECUTION INSERT COASTAL DEVELOPMENT PERMIT NO(S). ISSUED FOR DEVELOPMENT WORK]**, which conditions and requirements are attached to this Lease as Exhibit D and incorporated herein by this reference, and (ii) all public access requirements of the Marina del Rey Local Coastal Program, as amended.

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 hotel and/or commercial 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 encumbrances, reservations, licenses, easements and rights of way (a) existing as of the Effective Date, or (b) otherwise referenced in this Lease in, to, over or affecting the Premises for any purpose whatsoever, or (c) 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 Development 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 Development Work, to the extent such relocation is reasonably acceptable to County).

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 credit, demand, set-off or other withholding, except as expressly

set forth in 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 are derived from the Lessee's interest under this Lease and that Lessee's interest requires the payment of a possessory interest tax.

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 4.3 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**"); provided, however, if any Lease Year is shorter or longer than a full calendar year, or if any month during the Term is less than a full calendar month, then the Annual Minimum Rent and Monthly Minimum Rent, as applicable, shall be calculated on a pro rata basis based on the number of days in the applicable period as compared to the number of days in such full calendar year or month, as applicable.

4.2.1.1 During the period from the Effective Date through the earlier of the CO Date or the Required Completion Date, the Annual Minimum Rent shall be equal to One Hundred Thousand Dollars ($100,000.00) per Lease Year. Lessee shall provide written notice to County of the CO Date promptly upon the occurrence thereof.

4.2.1.2 During the period commencing on the day after the end of the period described in subsection 4.2.1.1 above and continuing until the end of the calendar year during which the third anniversary of the last day of the period described in subsection 4.2.1.1 occurs, the Annual Minimum Rent shall be equal to the product of (a) the average total Annual Minimum Rent and Percentage Rent projected to be payable by Lessee for the three (3) year period after the CO Date, multiplied by (b) .75. Not later than three (3) months prior to the earlier of the projected CO Date or the Required Completion Date, Lessee shall deliver to County for County's reasonable approval Lessee's projected Gross Receipts for the three (3) year period following the CO Date, which projected Gross Receipts, as reasonably approved by County, shall be used to calculate the Annual Minimum Rent payable by Lessee under this subsection 4.2.1.2.

4.2.1.3 Effective at the end of the period described in subsection 4.2.1.2 and every three (3) years thereafter until the first Renegotiation Date, and thereafter effective 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 4.2.1.3. The Annual Minimum Rent shall be adjusted as of each Adjustment Date to the amount which equals seventy five percent (75%) of the average total Annual Minimum Rent and Percentage Rent payable by Lessee during the three (3) year period immediately preceding the Adjustment Date.

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 subsection 4.2.2. Gross Receipts (as defined herein) from each transaction, sale or activity of Lessee and/or any sublessee shall be reported under the applicable percentage category set forth below in this subsection 4.2.2. 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 by category and pay to County a sum equal to the total of the percentages set forth in categories (a) through (t) below of Gross Receipts for the previous month. Lessee shall be entitled to offset against each such Percentage Rent payment the amount of the installment of Monthly Minimum Rent paid by Lessee for such previous month.

(a) That percentage determined pursuant to category (t) below, 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) That percentage determined pursuant to category (t) below, of Gross Receipts from the rental or other fees charged for the use of dry storage facilities and landside storage space;

(c) SEVEN AND ONE-HALF PERCENT (7.5%) of Gross Receipts or other fees charged for the rental, occupancy or use of the following structures: (1) apartments, (2) hotel and/or motel accommodations, and (3) meeting rooms; and SEVEN AND ONE-HALF PERCENT (7.5%) of Gross Receipts from filming or other television and/or motion picture activities, or from other activities not otherwise provided for in this subsection 4.2.2;

(c1) TWELVE PERCENT (12%) 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, 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 categories of this subsection 4.2.2;

(d) That percentage determined pursuant to category (t) below, of Gross Receipts from the sale of new or used boats, house trailers, trailer cabanas;

(e) That percentage determined pursuant to category (t) below, of Gross Receipts received for boat brokerage, car rental, marine insurance, or other similar services; and FIVE PERCENT (5%) of Gross Receipts received by Lessee or a Sublessee for commissions or other fees for laundry, dry cleaning or other similar activities where earnings are normally received on a commission basis, in the case in which Lessee or a Sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee or a Sublessee from such enterprise if a third party provider is the operator of such enterprise;

(f) With respect to service enterprises not otherwise described in this subsection 4.2.2, including without limitation, cable, internet, satellite, telecommunication or other antennae fees, telephone, electricity co-generation and other utility services, FIVE PERCENT (5%) of Gross Receipts received by Lessee or a Sublessee from such enterprise if Lessee or a Sublessee is the operator of such enterprise, or TWENTY PERCENT (20%) of any commissions or fees collected by Lessee or a Sublessee from such enterprise if a third party provider is the operator of such enterprise;

(g) That percentage determined pursuant to category (t) below, of Gross Receipts from the rental of boats, or from ticket sales or other fees, charges or Gross Receipts from sport fishing or other commercial boating activities such as charter boat or bareboat charters, but not including the boating activities described in category (n) below;

(g1) FIVE PERCENT (5%) of Gross Receipts from the rental of bicycles, cycle carriages, scooters or other similar equipment;

(h) With respect to the installation and/or operation of coin-operated vending or service machines, including pay telephones, FIVE PERCENT (5%) of Gross Receipts received by Lessee or a Sublessee from such enterprise if Lessee or a Sublessee is the operator of such enterprise, or TWENTY-FIVE PERCENT (25%) of any commissions or other fees collected by Lessee or a Sublessee from such enterprise if a third party provider is the operator of such enterprise;

(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 (3.5%), 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 (s1); 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) That percentage determined pursuant to category (t) below, of Gross Receipts from the sale of gasoline, diesel fuel or mixed fuel sold;

(l) That percentage determined pursuant to category (t) below, of Gross Receipts from sales by a fuel sales facility of petroleum or fuel products other than those covered by paragraph (k) above;

(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) That percentage determined pursuant to category (t) below, of Gross Receipts from the operation of excursion, sightseeing or tour boats, or any water taxi;

(o) RESERVED;

(p) That percentage determined pursuant to category (t) below, of Gross Receipts from the operation of 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) (1) In the case where parking facilities are operated by a third party operator under a parking operation agreement with Lessee or a Sublessee , (i) TWENTY PERCENT (20%) of the fee or other compensation paid by such third party operator to Lessee (or Sublessee) if the operator is entitled to receive parking revenue and is responsible for the payment of operating expenses; or (ii) FIVE PERCENT (5%) of the Gross Receipts from the operation of such parking if the operator collects such Gross Receipts on behalf of Lessee (or Sublessee) and Lessee (or Sublessee) is responsible for the payment of the operating expenses for such parking operation (which operating expenses include a fee or other compensation to the parking operator for the rendering of such parking services); or

(2) In the case where parking facilities are operated by Lessee or a Sublessee, FIVE PERCENT (5.0%) of Gross Receipts from such parking.

Notwithstanding the foregoing, if other comparable hotel projects in the Relevant Market (as defined below) generally provide parking at no charge or for a charge less than that charged by Lessee, then at Director's election the Gross Receipts under this Lease attributable to parking charges in excess of the market hotel rate for such parking shall not be included in Percentage Rent under this category (r) but shall instead be considered Gross Receipts from the rental, occupancy or use of hotel accommodations under category (c) above; the "Relevant Market" shall mean the following hotels (or successor operations at the same location) that are then in operation: (I) Marina del Rey Marriott located on Parcel 141V; (II) Ritz Carlton Hotel located on Parcel 125H; (III) Marina del Rey Hotel located on Parcels 42/43; (IV) Courtyard Los Angeles Marina del Rey located at 13480 Maxella Avenue; and (V) any other then existing hotel located in Marina del Rey with 50 or more hotel rooms; provided, however, that a hotel that is otherwise included in the Relevant Market as described above and that is located on a leasehold with County that requires the lessee to pay to County percentage rent shall not be included in the Relevant Market unless in such lessee's lease with County the percentage rental rate applicable to gross receipts from parking revenues collected by or for the benefit of such lessee (i.e., gross receipts collected on a basis similar to that described in clauses (r)(1)(ii) and (r)(2) above and not gross receipts consisting of compensation paid to the lessee by the operator for the right to operate such parking facilities as in clause (r)(1)(i) above) is less than the percentage rental rate applicable to gross receipts from hotel room occupancy;

(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 subsection 4.2.2;

(s1) FOUR PERCENT (4%) of the Gross Receipts from the operation of any stores, shops or boutiques selling items at retail; and

(t) In the case where a specific percentage in the foregoing schedule has not been provided, then concurrent with County's 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 greater of (1) the average percentage rent received by County with respect to that category of activities within Marina del Rey, California at the time of approval of the additional or related use, or (2) the most recent agreement between County and a Marina del Rey lessee, whether by arbitration or otherwise, with respect to the appropriate percentage to be applied to that use. 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 reasonably determine that a percentage of Gross Receipts is not suitable or applicable for a particular activity not described above, although permitted hereunder, Director and Lessee shall mutually establish a minimum monthly payment to County as payment for the privilege of engaging therein, which shall remain effective until the next Renegotiation Date. Said minimum monthly amount shall be reasonable in accordance with the revenue generated by such activity and shall be included in Percentage Rent, as determined hereunder, in lieu of a percentage of Gross Receipts therefor.

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

4.2.2.3 **Gross Receipts**. Except as herein otherwise provided, the term "**Gross Receipts**" as used in this Lease means the gross amount of all money, receipts, compensation, or other things of value, including but not limited to charges, sales price, rentals, payments, reimbursements (including, without limitation, common area maintenance or other expenses, taxes, utilities, insurance, promotional expenses or charges, and other payments or 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, food, beverages 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 (except as provided in subsection (4)(h) below), 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 concessionaries, permittees, customers or patrons 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. tips and gratuities paid to employees;

g. goods or meals provided to employees of the business operation at cost or less, and complimentary meals offered for promotional purposes, provided, however, that the amounts excluded under this paragraph (g)

in connection with a particular business operation shall not exceed two percent (2%) of the Gross Receipts from such business operation in any year;

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

i. fees or charges paid to credit card companies in connection with customer purchases made by use of a credit card, provided, however, that the amounts excluded under this paragraph (i) in connection with a particular business operation shall not exceed one percent (1%) of the Gross Receipts from such business operation in any year;

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

k. the sale of promotional merchandise by Sublessees at cost.

(5) Gross Receipts shall not include amounts reimbursed to Lessee for the Cost of each Sublessee's submetered electricity, water and gas for such Sublessee's space, provided that (1) each Sublessee's obligation to reimburse Lessee for such utility charges is separate and apart from such Sublessee's obligation to pay rent for its occupancy of the Premises; (2) the reimbursed sum is in an amount equal to the Cost of the Sublessee's usage of such utilities; and, (3) the receipt is actually credited against the cost of the Sublessee's usage of such utilities. For the purpose of the foregoing sentence, the "Cost" of the Sublessee's usage of utilities shall mean the actual costs incurred by Lessee, exclusive of overhead and general and administrative expenses, in paying the portion of the respective utility bill that is allocable to the Sublessee based on such Sublesse's submetered consumption of such utilities, and in paying the portion of any third party submeter reading and service charge to each submeter that is actually read and a direct allocation of the submeter service charge to each such submeter that is serviced. County shall have the right to approve all submeters and to challenge the legitimacy or amount of any Cost, and all disputes regarding such County approvals or challenges, if not resolved by the parties within thirty (30) days after notice to Lessee of such disapproval or challenge, shall be resolved by arbitration pursuant to Article 16 of this Lease.

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 Section 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 is conducting a business or engaged in any use or occupation or any combination thereof on Lessee's leasehold, Lessee shall pay Percentage Rent based on whichever of the following results in the greater Percentage Rent: (1) the Gross Receipts of each Sublessee under one or more of categories (a) through (t) of this Section 4.2.2; or (2) the Gross Receipts received by Lessee from such Sublessee; provided, however, that this subsection 4.2.2.5 shall not be applicable to the uses described in clause (1) of category (c1) of this Section 4.2.2.

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

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

4.2.2.8 **Policy Statements**. Director, by Policy Statement and with the 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.

4.2.2.9 **CVB Surcharge**. Lessee funds its share of the cost of the operation of the Marina del Rey Convention and Visitor's Bureau ("**CVB**") through the self-imposed collection from its customers of a one percent (1%) surcharge against the fees charged to its customers for the occupancy of hotel and motel sleeping accommodations (the "**Surcharge**") and the monthly payment of the Surcharge to the CVB (the "**CVB Payment**"). In recognition of the mutually beneficial services provided by the CVB and in acknowledgment of the intended use of the Surcharge, County and Lessee agree that the Surcharge shall be excluded from Gross Receipts to the extent that Lessee pays the Surcharge to the CVB in the form of the CVB Payment prior to the date on which the monthly Gross Receipts report for the month during which the Surcharge is collected is due. Lessee shall report, as separate line items in the monthly Gross Receipts report, the amounts of the Surcharge excluded from Gross Receipts and the CVB Payment for such reported month. If for any month the CVB Payment is less than the Surcharge, then the allowable exclusion shall be limited to the actual CVB Payment, and Percentage Rent shall be payable under category (c) of subsection 4.2.2 with respect to the amount by which the Surcharge exceeds the CVB Payment. All records relating to the Surcharge and CVB Payments shall be maintained by Lessee in conformance with the requirements of Article 14 of this Lease.

4.3 **Renegotiation of Annual Minimum and Percentage Rents**. Effective as of the first January 1 following the tenth (10th) anniversary of the earlier of the CO Date or the Required Completion Date, and each ten (10) years 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.

4.3.1 **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 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.

4.3.2 **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. Lessee shall have fifteen (15) days after the submittal by County to Lessee of County's determination of Fair Market Rental Value 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.

4.3.3 **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 4.3.2, 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.

4.3.4 **Arbitration**. If County and Lessee fail to reach agreement during the sixty (60) day period set forth in subsection 4.3.3, 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.

4.3.5 **Retroactivity**. In the event that, pursuant to subsections 4.3.3 or 4.3.4 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 thirty (30) 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, compounded quarterly:

(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.

4.4 **Payment**. Monthly Minimum Rent shall be paid by Lessee in advance. Payments of Minimum Monthly Rent shall be received by County on or before the first day of each calendar month of the Term. Percentage Rent shall be paid by Lessee in arrears. Percentage Rent due, if any, for a given month of the Term shall be received by County on or before the fifteenth day of the calendar month following each month of the Term, calculated as follows: the Lessee shall calculate the total Percentage Rent owed to County for the relevant month of the Term; it shall deduct from said amount the total Monthly Minimum Rent paid to County for that same month; if the resulting amount is a positive number, Lessee shall pay that amount to County; if that amount is a negative number, no Percentage Rent shall be paid to County for that month but nevertheless the Monthly Minimum Rent shall be paid every month of the Term hereof. Percentage Rent payments shall be reconciled annually at the end of each Lease Year, with any Excess Percentage Rent Payments credited as provided in subsection 4.2.2.5.

Payment may be made by check or draft issued and payable to The County of Los Angeles, and mailed or otherwise delivered to the Department of Beaches and Harbors, Los Angeles County, 13483 Fiji Way, Trailer No. 2, Marina del Rey, California 90292, or such other address as may be provided to Lessee by County. Lessee acknowledges that County shall have no obligation to issue monthly rental statements, invoices or other demands for payment, and that the rental payments required herein shall be payable notwithstanding the fact that Lessee has received no such statement, invoice or demand.

4.5 **Late Fees**. 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 that remains unpaid five (5) days after such amount was due and payable; provided, however, that Lessee shall not be required to pay a Late Fee in the case of the first instance in any calendar year that a payment is not made by Lessee within the foregoing five (5) day period, so long as such delinquency is cured within one (1) business day after written notice from County. In addition to any Late Fee, any unpaid rent due shall additionally bear interest at an annual rate equal to the Prime Rate plus three percent (3%), computed from the date when such amounts were due and payable, compounded monthly, until paid. Lessee acknowledges that

such Late Fee and interest shall be applicable to all identified monetary deficiencies under this Lease, whether identified by audit or otherwise, and that interest on such amounts shall accrue from and after the date when such amounts were due and payable as provided herein (as opposed to the date when such deficiencies are identified by County).

4.6 **Changes of Ownership and Financing Events**. Except as otherwise provided in this Section 4.6, each time Lessee proposes either (a) a Change of Ownership (that is not an Excluded Transfer) 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) subject to the remaining provisions of this paragraph, 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, (b) the execution by Lessee of a Major Sublease or the transfer by the Major Sublessee under a Major Sublease of a five percent (5%) of greater direct ownership interest in such Major Sublease, (c) any transaction or series of related transactions not described in subsection 4.6.1(a) or subsection 4.6.1(b) which constitute an Aggregate Transfer of fifty percent (50%) or more of the beneficial residual interests in Lessee or a Major Sublessee, or (d) a Change of Control (as defined below) of Lessee or a Major Sublessee.

For the purposes of this Lease, "**Change of Control**" shall refer to a transaction whereby the transferee acquires a beneficial residual interest in Lessee or a Major Sublessee which brings its cumulative beneficial interest in Lessee or a Major Sublessee, 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, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) as of the Effective Date or the date on which a Change of Ownership occurred as to the interest transferred, to any other direct or indirect partner, shareholder or member of Lessee (or of a limited partnership, corporation or limited liability company that is a direct or indirect owner in Lessee's ownership structure) 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 any direct or indirect partner or member of Lessee who is an individual;

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, (iii) from such a trust or any trust that is an owner in a constituent entity of Lessee as of the Effective Date, 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, or (iv) in connection with a pledge by any partners of a constituent entity of Lessee to an affiliate of such partner;

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 or other entity whose stock and/or securities is/are traded publicly on a national stock exchange or is traded in the over-the-counter market and the price for which is regularly quoted in recognized national quotation services;

4.6.2.5 a mere change in the form, method or status of ownership (including, without limitation, the creation of single purpose entities) so long as the ultimate beneficial ownership remains the same as of the Effective Date, or as otherwise excluded in accordance with subsections 4.6.2.1 through 4.6.2.4 above;

4.6.2.6 any transfer resulting from a Condemnation by County; or

4.6.2.7 any assignment of the Lease by Lessee to a parent, subsidiary or affiliate of Lessee in which there is no change to the direct and indirect beneficial ownership of the leasehold interest.

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 residual interests in Lessee or a Major Sublessee, as appropriate) transferred or assigned in one transaction or a series of related transactions (other than those enumerated in subsection 4.6.2) occurring since the later of (a) the Effective Date, (b) the execution by Lessee of this Lease or a Major Sublease, as appropriate, or (c) the most recent Change of Ownership upon which an Administrative Charge was paid to County; provided, however, that there shall be no double counting of successive transfers of the same interest in the case of a transaction or series of related transaction involving successive transfers of the same interest. Isolated and unrelated transfers shall not be treated as a series of related transactions for purposes of the definition of Aggregate Transfer.

4.6.4 **Beneficial Interest**. As used in this Lease, "**beneficial residual interest**" shall refer to the ultimate direct or indirect ownership interests in Lessee (or a Major Sublessee, as applicable), regardless of the form of ownership and regardless of whether such interests are owned directly or through one or more layers of constituent partnerships, corporations, limited liability companies or trusts.

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, but excluding any event as to which the Net Proceeds Share is expressly stated to be $0 under the provisions of Section 4.9 below) 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 **Net Proceeds Share**. In the case of the first Change of Ownership occurring during the first ten (10) years after the Effective Date (and any Financing Event to fund such first Change of Ownership), the Net Proceeds Share shall be $0. In the case of the second and each subsequent Change of Ownership (excluding Excluded Transfers) during the ten (10) year period after the Effective Date, and in the case of each Change of Ownership (excluding Excluded Transfers) after the first ten (10) years following the Effective Date, the Net Proceeds Share shall be a sum equal to the greater of (a) five percent (5%) of the gross sale or transfer proceeds or other consideration given for the interests transferred (but in the case of a transfer to a party affiliated with or otherwise related to the transferor, such consideration shall in no event be deemed to be less than the fair value of the interests transferred) (the "**Gross Proceeds**"), or (b) twenty percent (20%) of the Net Transfer Proceeds from such transfer. Notwithstanding the foregoing, if the Gross Proceeds are less than 105.26% of the Applicable Costs (as defined in subsection 4.8.1 or 4.8.2 below, as applicable), then the Net Proceeds Share under the immediately preceding sentence shall be calculated only in accordance with clause (b) in such sentence (i.e., the Net Proceeds Share shall be twenty percent (20%) of the Net Transfer Proceeds from such transfer).

In the case of the following Financing Events, the Net Proceeds Share shall be $0: (i) the origination of the initial construction loan for the construction of the Development Work (the "**Initial Construction Loan**"), (ii) the first conversion or refinancing of the Initial Construction Loan to permanent financing within two (2) years following the completion of construction of the Development Work, (iii) the first Financing Event occurring during the first ten (10) years after the CO Date (excluding any Financing Event described in clauses (i) or (ii) above). With

respect to any other Financing Event not described in the immediately preceding sentence or in the first sentence of Section 4.8 above, the Net Proceeds Share (if any) shall be equal to twenty percent (20%) of the Net Refinancing Proceeds from such Financing Event. Notwithstanding the foregoing, in connection with any Financing Event used to fund the cost of the acquisition of an Ownership Interest in Lessee that constitutes an Excluded Transfer, if such Financing Event is secured by the Ownership Interest that is transferred, then the Net Refinancing Proceeds from such Financing Event shall not include the portion of the proceeds of such Financing Event used to fund the acquisition cost of such Ownership Interest.

Notwithstanding any contrary provision of this Section 4.8, in the calculation of Net Transfer Proceeds and Net Refinancing Proceeds derived from a Change of Ownership or Financing Event, as applicable, pursuant to the remaining provisions of Section 4.8 below, there shall be no duplication of any amounts to be subtracted from the total consideration received in connection with such transaction, even if a particular amount qualifies for subtraction under more than one category.

4.8.1 **Transaction by Original Lessee**. In the case of a transfer by Lessee (but not a successor or assignee of Lessee) constituting a Change of Ownership, "**Net Transfer Proceeds**" shall mean the Gross Proceeds less the sum of the following costs with respect to Lessee (but not its successors or assignees) ("**Applicable Costs**"):

4.8.1.1 The sum of (a) the One Hundred Thousand Dollar ($100,000.00) Option Fee paid by Lessee pursuant to the Option Agreement, plus (b) actual out-of-pocket costs incurred by Lessee for its third party consultants and attorneys in connection with the negotiation and consummation of the Option Agreement and this Lease (collectively, the "**Base Value**").

4.8.1.2 The final actual construction costs paid by Lessee in connection with the construction of the Development Work, and other capital renovations to the Premises, or other physical capital Improvements or Alterations to the Premises in compliance with Article 5 herein, to the extent applicable (including in each case all hard and soft costs (including out-of-pocket design and predevelopment costs incurred prior to the Effective Date for the Development Work or for other physical Improvements constructed after the Effective Date, 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 ninety (90) days after the completion of such Improvements, along with evidence reasonably satisfactory to Director that such costs have been incurred (the amounts described in this subsection 4.8.1.2 are referred to as "**Improvement Costs**"). Notwithstanding the foregoing, with respect to Improvements or Alterations which are not part of the Development Work, Lessee shall submit Improvement Costs on an annual basis within ninety (90) days following the end of each fiscal year. If by the date that is ninety (90) days after the completion of the Development Work (or other Improvements) the final amount of the Improvement Costs is not established because of a dispute or disputes between Lessee and its contractor(s), then Lessee shall note such dispute(s) in its submission of the Improvement Costs (including a description of the costs and the amounts under

dispute). Lessee shall thereafter notify County in writing within thirty (30) days after the resolution of any such dispute as to any final adjustment required to the amount of the Improvement Costs to reflect the resolution of such dispute.

4.8.1.3 Commissions, title and escrow costs, documentary transfer taxes, reasonable attorneys' fees, prepayment, defeasance or yield maintenance premiums, and other bona fide closing costs actually paid to third parties and documented to the satisfaction of Director, which costs were directly attributable to the consummation of the particular transaction giving rise to the obligation to pay County a Net Proceeds Share, and the Administrative Charge paid by Lessee to County in connection with the transaction (collectively, "**Documented Transaction Costs**").

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

4.8.2 **Transfer by Lessee's Successor**. In the case of a transfer by a Lessee other than the original Lessee, "**Net Transfer Proceeds**" shall mean the Gross Proceeds minus the Applicable Costs. For purposes of this subsection 4.8.2, Applicable Costs shall mean the sum of the following with respect to such successor Lessee:

4.8.2.1 The greatest of (a) the sum of the Base Value, plus 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 the fair market value of the interests transferred in connection with the seller's acquisition of the leasehold if utilized in connection with the calculation of Net Transfer Proceeds with respect to that sale)or (c) the original principal amount of any Financing Event or Financing Events (on a non-duplicative basis) after such successor Lessee's acquisition of the leasehold and with respect to which County was paid a Net Proceeds Share, plus the principal amount of any financing existing as of the date on which such seller acquired the leasehold or subsequently obtained by Lessee, if such financing has not been refinanced, but without duplication.

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 (but not duplicative of the principal amount of any Financing Event described in clause 4.8.2.1(c) above, the proceeds of which were used to fund such Improvement Costs); provided that such costs have been submitted to County, with an appropriate Lessee certification and evidence reasonably satisfactory to Director that such costs have been incurred, as provided in subsection 4.8.1.2.

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

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

4.8.4 **Other Transfers**. With respect to any Change of Ownership that is not an Excluded Transfer and is not described in subsections 4.8.1 through 4.8.3 (e.g., a transfer of an interest in an entity holding a direct or indirect ownership interest in this Lease or in a Major Sublease), subsections 4.8.1 and 4.8.2 shall apply to such Change of Ownership, except that in lieu of deducting the amounts described in either subsections 4.8.1.1 and 4.8.1.2, on the one hand, or subsections 4.8.2.1 and 4.8.2.2, on the other hand, as applicable, 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 amounts described in subsection 4.8.1.1 and 4.8.1.2, on the one hand, or subsections 4.8.2.1 and 4.8.2.2, on the other hand, as applicable, for such interest or for each interest in the aggregation pool in the case of an Aggregate Transfer) 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 **Net Refinancing Proceeds**. "**Net Refinancing Proceeds**" shall mean the gross principal amount of any Financing Event after the Effective Date as described in Section 4.8 above for which a Net Proceeds Share may be owed, plus in the case of secondary financing the original principal balance of any existing financing that is not repaid as a part of such secondary financing, minus (i) the greatest of (a) the Base Value, (b) the original principal amount of any subsequent refinancing by Lessee in connection with which County was paid a Net Proceeds Share (plus if the financing described in this clause (b) was secondary financing, the original principal balance of any then existing financing that was no repaid as a part of such secondary financing), 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.

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

the purpose of avoiding the obligation to pay Net Proceeds Share set forth in Sections 4.6 through 4.8 of this Lease and which, viewed together, would otherwise constitute a Change of Ownership.

4.8.7 **Payment**. Net Proceeds Share shall be due and payable concurrently with the transfer giving rise to the obligation to pay such share and shall be the joint and several obligation of the transferee and transferor. Net Proceeds Share not paid when due shall be subject to a late fee of six percent (6%) of the amount due, together with interest on such Net Proceeds Share and late fee at the Applicable Rate from the date due until paid; 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 **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 Sublessee.

5. **DEVELOPMENT WORK; ALTERATIONS**.

5.1 **Development Work**. Promptly following the Effective Date Lessee shall commence the performance of the Development Work on the Premises described in the development plan attached to this Lease as Exhibit B (the "**Development Plan**"). The construction work described in the Development Plan, along with all associated improvements, hardscape, landscape and other site work approved by County and to be performed in connection with the work described in such Development Plan, is referred to herein as the "**Development Work**." The Development Work shall include, without limitation, the construction of a 4 to 5 story, 147 unit hotel facility totally approximately 114,000 to 126,000 square feet.

[PRIOR TO EXECUTION OF THE LEASE INSERT TERMS AND PROVISIONS PERTAINING TO THE PARKING TO BE DEVELOPED BASED ON THE APPROVED PARKING PLAN DESCRIBED IN SECTION 5.4 OF THE OPTION AGREEMENT.]

There shall be no changes, modifications or exceptions to the Development Plan, except as expressly approved in advance in writing by the Director or otherwise in accordance with this Article 5. The scope, design, density, site coverage, layout and open space, view corridors, height, construction materials, landscaping, hardscaping and other improvement specifications pertaining to the Development Work shall be in accordance with the Development Plan, and shall be subject to County's approval as set forth in this Article 5. Lessee shall be responsible for the acquisition and compliance with all required governmental (including, without limitation, County, Coastal Commission and Design Control Board) planning and entitlement approvals for the Development Work. Lessee shall be solely responsible for all costs and expenses incurred in connection with the design, entitlement and construction of the Development Work. Lessee shall expend not less than $23,829,000 for the cost of the design, entitlement and construction of the Development Work (which amount may include a development fee not to exceed four percent (4%) of the hard construction costs), which expenditures shall be subject to verification and reasonable approval by County.

5.2 **Application of Article 5 to Development Work**. The remaining sections of this Article 5 pertain to the construction of the Development Work and to any other Alterations (as defined below) which Lessee may be required or desire to make to the Premises during the Term, including without limitation, the Subsequent Renovation described in Section 5.11 below. For purposes of this Lease, Alterations shall mean the construction of any alterations or modifications to the Improvements located on the Premises or the construction of any new Improvements. Both the Development Work and the Subsequent Renovation shall be considered to be Alterations. Accordingly, except as expressly provided in this Article 5, all of the terms and provisions of Article 5 of this Lease shall be applicable to the Development Work and the Subsequent Renovation.

5.3 **Plans and Specifications for Alterations**. Lessee shall make no Alterations without the prior written approval of the Director. Prior and as a condition precedent to the construction of any Alterations, Lessee shall submit to Director, for Director's approval, the plans, specifications and other materials described in this Section 5.3 pertaining to such Alterations (except to the extent such submittals and approvals have been previously completed

with respect to Development Work pursuant to the Option Agreement). All Alterations must be consistent with the Permitted Uses set forth in Article 3 of this Lease.

5.3.1 **Schematics and Narrative**. Lessee shall submit to the Director six (6) sets of schematic plans together with a narrative description and construction cost estimate summary clearly delineating the nature, size, configuration and layout of the Alterations. Such plans shall, among other things, clearly delineate the architectural theme or motif of the Alterations and shall identify and illustrate 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 with jurisdiction, Lessee shall promptly advise Director in writing of such changes and Director shall not disapprove those changes that 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 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 Development 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 Development Work or Alterations, as the case may be. All permits, licenses and other governmental approvals necessary for subsequent stages of the Development 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 Development 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 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 a combination of the following alternative security reasonably acceptable to Director : (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) a 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 Development 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 Development Work, Lessee shall have provided County with a construction schedule which will result in the substantial completion of the Development Work on or before the Required 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 Development Work described in Section 5.1 above and the Subsequent Renovation described in Section 5.11 below, as applicable. 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 **Completion of Development Work**. Lessee shall comply with all time deadlines and schedules described in this Article 5 relating to the completion of the design and construction of the Development Work, subject to Force Majeure Delay (as such term is defined in subsection 5.6.1 below). Lessee's failure to do so shall, if not cured within the applicable cure period set forth in subsection 13.1.3, constitute an Event of Default. Subject to the provisions of this Section 5.6, all of the Development Work shall be substantially completed on or before eighteen (18) months following the Effective Date (the "**Required Completion Date**"). For purposes of this Lease, the terms "substantial completion" or "substantially completed" as they pertain to the Development Work shall mean the completion of the Development Work in accordance with the Final Plans and Specifications, subject to minor so-called punch list items that do not interfere with the use and occupancy of the Development Work. Without limitation of any other requirements for substantial completion, the Development Work shall not be considered substantially completed until Lessee has received a temporary certificate of

occupancy or equivalent approval required for the legal occupancy and use of all of the Development Work.

5.6.1 **Force Majeure Delay**. Lessee shall diligently pursue the substantial completion of the Development Work by the Required Completion Date. Any Force Majeure Delay in the construction of the Development Work shall extend the Required Completion Date by the length of time of such Force Majeure Delay, although Lessee shall to the extent possible commence and proceed to complete the portions, if any, of the Improvements that can be completed notwithstanding such Force Majeure Delay. Any extension of the Required Completion Date due to Force Majeure Delay shall be limited to the period of the Force Majeure Delay and no such delay shall be considered to have commenced until such time as Lessee shall have notified Director in writing of such delay. The aggregate amount of extensions to the Required Completion Date due to Force Majeure Delay shall not exceed twelve (12) months.

For purposes of this Article 5, "**Force Majeure Delay**" shall mean delays in construction due to (a) fire, earthquake, flood, tornado or other act of God; (b) civil disturbance, war, organized labor dispute or freight embargo; (c) a hidden condition, including without limitation environmental contamination, relating to the foundation, substructure or subsurface of the Premises which was not known to Lessee as of the commencement of such construction activity; (d) an injunction or restraining order issued pursuant to a court action commenced by a plaintiff other than County or the California Coastal Commission acting in their governmental capacity, Lessee or any person or entity affiliated with Lessee; (e) Unreasonable County Activity (as defined in subsection 5.6.2 below) after the commencement of construction; or (f) any delay in the other unforeseeable event beyond the control of Lessee. As a condition to clause (d) above constituting a Force Majeure Delay, Lessee shall, regardless of whether it is a named party in the action, diligently pursue the removal of any such restraining order or injunction and shall exhaust all commercially reasonable efforts to appeal such restraining order or injunction. Force Majeure Delay shall also mean any delay in the completion of, and receipt of a certificate of occupancy for, the Development Work due to delays in the completion of the construction of the off-site public parking required to be constructed on the Off-Site Parking Parcel pursuant to Section 5.4 of the Option Agreement, except to the extent such delay is caused by Lessee.

Lessee and Director shall discuss and attempt to agree on the length of time of any entitled Force Majeure Delay pursuant to this subsection 5.6.1. 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 Force Majeure Delay under this subsection 5.6.1, the matter shall be arbitrated as set forth in Article 16.

Notwithstanding anything to the contrary contained in this Lease, no extension, relaxation or modification of the requirement to substantially complete the Development Work by the Required 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.

5.6.2 **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 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 construction; 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 subsection 5.6.2 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 for Unreasonable County Activity under subsection 5.6.1 above shall be available 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 5.6.2, 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 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.

5.6.3 **County's Inducement; Failure to Complete**. Lessee acknowledges that the principal inducement to County to enter into this Lease Agreement is the timely completion of the Development Work. If Lessee fails to substantially complete the Development Work on or before the Required Completion Date (as such date may be extended by any Force Majeure Delay), and such failure is not cured within the cure period set forth in Section 13.1.3, then Tenant shall have committed an Event of Default under this Lease.

5.7 **Manner of Construction**.

5.7.1 **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.

5.7.2 **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.

5.7.3 **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.

5.7.4 **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.

5.7.5 **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 Development 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 upon written notice to Lessee 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 5.7.5 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.

5.7.6 **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.

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

5.7.8 **Final Completion Certificate**. Promptly after completion of the Development Work and the Subsequent Renovation described in Section 5.11, 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.

5.8 **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 5.8 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.

5.9 **Where Director Approval Not Required**. Notwithstanding the foregoing, and notwithstanding anything to the contrary in this Article 5, Lessee shall not be required to seek or obtain the approvals of Director described in this Article 5 (including those set forth in Section 5.3) for Alterations (other than the Development 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.

5.10 **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.

5.10.1 **Posting Notices**. County shall have the right at all reasonable times and places to post and, as appropriate, keep posted, on the Premises any notices which County may deem necessary for the protection of 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.

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

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

In the event any lien is recorded, 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.

5.11 **Subsequent Renovation**. In addition to the Development Work to be performed by Lessee pursuant to Section 5.1, approximately thirty (30) years after the Effective Date Lessee shall be required to complete a renovation of the Improvements in accordance with the terms and provisions of this Section 5.11 (the "**Subsequent Renovation**"). The Subsequent Renovation shall consist of such renovation and construction work as necessary in the reasonable judgment of Director to position the Improvements to a condition and appearance at least equal to comparable Three Star Hotel Standard projects in Marina del Rey and the surrounding market. The construction of the Subsequent Renovation shall be commenced by Lessee not earlier than the first day of the twenty-ninth (29th) Lease Year of the Term and completed by Lessee not later than the last day of the thirty-first (31st) Lease Year of the Term.

Prior to the commencement of construction of the Subsequent Renovation, Lessee shall submit to Director a renovation plan for the Subsequent Renovation (the "**Subsequent Renovation Plan**"), which renovation plan shall (a) describe the proposed renovation work in

detail reasonably acceptable to Director, (b) include a design, governmental approval and construction schedule for the work, (c) include a budget for all work costs, and (d) address such other matters as Director reasonably requests. The Subsequent Renovation Plan shall be submitted by Lessee to Director not later than such date (taking into consideration the approval periods described in this Section 5.11 and Section 5.3 above, the estimated time required to obtain all necessary governmental approvals and permits, and the estimated time required to complete the work) as will permit the completion by Lessee of the applicable Subsequent Renovation by no later than the last day of the thirty-first (31st) Lease Year of the Term. Director shall have sixty (60) days within which to reasonably approve or disapprove the Subsequent Renovation Plan, or to approve the Subsequent Renovation Plan subject to conditions imposed by Director in its reasonable judgment. Failure of Director to notify Lessee in writing of its approval or disapproval of the Subsequent Renovation Plan shall be deemed Director's disapproval of the Subsequent Renovation Plan. If Director disapproves (or is deemed to have disapproved) the Subsequent Renovation Plan, then within thirty (30) days after written request from Lessee Director shall notify Lessee in writing of the reasons for such disapproval.

Upon Director's approval of the Subsequent Renovation Plan, Lessee shall proceed to satisfy all conditions in this Article 5 to the commencement of the Subsequent Renovation and to commence and complete the Subsequent Renovation in accordance with the Subsequent Renovation Plan and the terms and conditions of this Article 5. Director's approval of the actual plans and specifications for the Subsequent Renovation shall proceed in accordance with the protocol for plan submission and approval set forth in Section 5.3 of this Lease, except that the schematic plan submittal requirements set forth in subsection 5.3.1 shall not be applicable to the extent that the Subsequent Renovation Plan approved by Director satisfies the requirements of such subsection 5.3.1. Lessee's failure to comply with the schedule approved by Director as part of the Subsequent Renovation Plan and/or to meet the construction completion deadline pertaining to the Subsequent Renovation set forth in this Section 5.11 (subject to any Force Majeure Delay) shall, if not cured within the cure period set forth in subsection 13.1.2, constitute an Event of Default. Any dispute as to whether Director has failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan shall be submitted to arbitration pursuant to Article 16 of this Lease. If the arbitrator determines that Director failed to exercise reasonable judgment in the approval or disapproval of the Subsequent Renovation Plan and as a result thereof Lessee is delayed in the completion of the Subsequent Renovation by the required completion date set forth in the first paragraph of this Section 5.11, then the required date for the completion of such Subsequent Renovation shall be extended by the duration of the delay caused by Director's failure to reasonably approve the Subsequent Renovation Plan, provided that the required date for the completion of the Subsequent Renovation shall not be extended beyond the date reasonably required for the completion by Lessee of the Subsequent Renovation.

5.12 **Subsequent Renovation Fund**. Commencing with the month following the month during which the tenth (10th) anniversary of the Effective Date occurs, and continuing each month thereafter until commencement of the Subsequent Renovation (or if as of the commencement of the Subsequent Renovation there are not sufficient funds in the Subsequent Renovation Fund to pay for all costs of the Subsequent Renovation based on the Subsequent Renovation Plan approved by Director, then continuing until the earlier of (a) the date that there are sufficient funds in the Subsequent Renovation fund to pay for all costs of the Subsequent

Renovation, or Lessee provides a lender set-aside letter or other security reasonably acceptable to Director for the balance of any such costs, or (b) the date of the lien-free completion of the Subsequent Renovation, Lessee shall establish and maintain a reserve fund (the "**Subsequent Renovation Fund**") in accordance with the provisions of this Section 5.12 for the purpose of funding a portion of the cost of the Subsequent Renovation. Lessee shall expend funds for the Subsequent Renovation that are at least equal to the amounts in the Subsequent Renovation Fund, but the amount of the Subsequent Renovation Fund shall not limit Lessee's obligation to perform and fund the full cost and expense of the Subsequent Renovation. The Subsequent Renovation Fund shall be held in 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 Section 5.12. The amounts to be added to the Subsequent 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 Section 5.12. On or before the fifteenth (15th) day of each month during the period during which the Subsequent Renovation Fund is required to be maintained by Lessee hereunder, Lessee shall make a monthly deposit to the Subsequent Renovation Fund in an amount equal to two percent (2%) of total Gross Receipts for the previous month. All interest and earnings on the Subsequent Renovation Fund shall be added to the Subsequent Renovation Fund, but shall not be treated as a credit against, or otherwise reduce, the Subsequent Renovation Fund deposits required to be made by Lessee pursuant to this Section 5.12.

Disbursements shall be made from the Subsequent Renovation Fund only for costs for the design and construction of the Subsequent Renovation which have been approved by Director. Prior to the disbursement of any amounts from the Subsequent 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 Subsequent Renovation Fund. Director shall have no obligation to approve the disbursement of amounts from the Subsequent Renovation Fund unless and until Director has approved the Subsequent Renovation Plan and Lessee has furnished to Director evidence reasonably satisfactory to Director that Lessee has sufficient financial resources to pay for all costs of the Subsequent Renovation. All amounts in the Subsequent Renovation Funds shall be used for the costs of the Subsequent Renovation. Lessee shall not be required to make further contributions to the Subsequent Renovation Fund after the completion of the Subsequent Renovation.

In lieu of the periodic Subsequent Renovation Fund contributions described in this Section 5.12, Director shall have the authority, in the exercise of the Director's discretion, to consider the delivery by Lessee of substitute security acceptable to Director (e.g., a letter of credit or bonding mechanism) to secure the performance by Lessee of the Subsequent Renovation. Such substitute security shall be in not less than the same amounts and delivered not later than the same times, as amounts that would have otherwise been required to be delivered into the Subsequent Renovation Fund.

5.13 **Capital Improvement Fund**. Commencing with the month (the "**First Deposit Month**") that is the earlier of (a) the month following the month during which the CO Date occurs, or (b) the month following the month during which the second (2nd) anniversary of the

date of the Option Agreement occurs, and continuing during the remaining Term of the Lease, Lessee shall establish and maintain a reserve fund (the "**Capital Improvement Fund**") in accordance with the provisions of this Section 5.13 for the cost of Permitted Capital Expenditures (as defined below) for the Premises. Lessee and County agree and acknowledge that the purpose of the Capital Improvement Fund shall be to provide funds for the costs of additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work ("**Permitted Capital Expenditures**"). Notwithstanding any contrary provision herein, the Capital Improvement Fund shall not be used to fund any portion of the cost of the Development Work or the Subsequent Renovation. In addition, Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the buildings or their major systems in an ordinarily efficient operating condition, but that do not significantly add to their value or appreciably prolong their useful life. Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee. By way of example, set forth on Exhibit E attached to this Lease are categories of Permitted Capital Expenditures that qualify as proper costs to be funded from the Capital Improvement Fund. All specific purposes and costs for which Lessee desires to utilize amounts from the Capital Improvement Fund shall be subject to Director's approval, which approval shall not be unreasonably withheld.

The Capital Improvement Fund shall be held in 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 Section 5.13. The amounts to be added to the Capital Improvement 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 Section 5.13.

Commencing on the fifteenth (15th) day of the First Deposit Month and continuing on or before the fifteenth (15th) day of each month thereafter during the remaining Term, Lessee shall make a monthly deposit to the Capital Improvement Fund in the following amounts:

(a) during the first (1st) year of the required deposits, one percent (1%) of total Gross Receipts for the previous month; and

(b) during the second (2nd) and each subsequent year of the required deposits, two percent (2%) of total Gross Receipts for the previous month.

If the First Deposit Month occurs prior to the CO Date, then until the CO Date occurs the monthly deposits to the Capital Improvement Fund shall not be based on actual Gross Receipts, but instead shall be based on the Tenant's projected Gross Receipts (as reasonably approved by County) for the same period following the CO Date assuming that the First Deposit Month had

been the first month following the month during which the CO Date occurred. All interest and earnings on the Capital Improvement Fund shall be added to the Capital Improvement Fund, but shall not be treated as a credit against the Capital Improvement Fund deposits required to be made by Lessee pursuant to this Section 5.13.

Disbursements shall be made from the Capital Improvement Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.13. For the purpose of obtaining Director's prior approval of any Capital Improvement Fund disbursements, Lessee shall submit to Director on an annual calendar year basis a capital expenditure plan for the upcoming year which details the amount and purpose of anticipated Capital Improvement Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld. Any anticipated expenditure set forth in such capital expenditure plan which is approved by Director as an acceptable Capital Improvement Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual capital expenditure 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 capital expenditure plan in effect for such year, or individual expenditures not noted on the previously submitted capital expenditure plan. Prior to the disbursement of any amounts from the Capital Improvement 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 Capital Improvement Fund.

All then-existing amounts in the Capital Improvement Fund shall be expended for Permitted Capital Expenditures not later than ten (10) years prior to the expiration of the Term of the Lease. Thereafter, if County elects to require Lessee to remove the Improvements at the end of the Term and requires Lessee to provide a Removal Security Fund to secure its obligation to perform such removal obligations in accordance with subsection 2.3.2 of this Lease, then Lessee shall have the right to contribute the deposits thereafter required to be made by Lessee under this Section 5.13 towards Lessee's obligations to fund the Removal Security Fund in subsection 2.3.2, but only if and to the extent that there are sufficient funds made available in the Capital Improvement Fund for any needed Permitted Capital Expenditures, as determined by Director in Director's sole and absolute discretion.

5.14 **FF&E Fund**. Commencing with the First Deposit Month and continuing during the remaining Term of the Lease, Lessee shall establish and maintain a reserve fund (the "**FF&E Fund**") in accordance with the provisions of this Section 5.14 to fund the cost of the purchase and installment of replacements, additions or upgrades of or to the furniture, fixtures and equipment used in the Improvements throughout the Term. The FF&E Fund shall not be used for (a) maintenance or repair purposes, (b) the cost of the Development Work or the initial furniture, fixtures and equipment to be installed in the Premises in connection with the Development Work, (c) the cost of the Subsequent Renovation, or (d) the cost of Permitted Capital Expenditures to be funded by the Capital Improvement Fund. All specific purposes and costs for which Lessee desires to utilize amounts from the FF&E Fund shall be subject to Director's approval, which approval shall not be unreasonably withheld.

The FF&E Fund shall be held in 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 Section 5.14. The amounts to be added to the FF&E 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 Section 5.14.

Commencing on the fifteenth (15th) day of the First Deposit Month, and continuing on or before the fifteenth (15th) day of each month thereafter during the remaining Term, Lessee shall make a monthly deposit to the FF&E Fund in the following amounts:

(a) during the first (1st) year of the required deposits, one percent (1%) of total Gross Receipts for the previous month;

(b) during the second (2nd) year of the required deposits, two percent (2%) of total Gross Receipts for the previous month; and

(c) during the third (3rd) and each subsequent year of the required deposits, three percent (3%) of total Gross Receipts for the previous month.

If the First Deposit Month occurs prior to the CO Date, then until the CO Date occurs the monthly deposits to the FF&E Fund shall not be based on actual Gross Receipts, but instead shall be based on the Tenant's projected Gross Receipts (as reasonably approved by County) for the same period following the CO Date assuming that the First Deposit Month had been the first month following the month during which the CO Date occurred. All interest and earnings on the FF&E Fund shall be added to the FF&E Fund, but shall not be treated as a credit against the FF&E Fund deposits required to be made by Lessee pursuant to this Section 5.14.

Disbursements shall be made from the FF&E Fund only for costs which have been approved by Director and which satisfy the requirements of this Section 5.14. For the purpose of obtaining Director's prior approval of any FF&E Fund disbursements, Lessee shall submit to Director on an annual calendar year basis a furniture, fixtures and equipment expenditure plan for the upcoming year which details the amount and purpose of anticipated FF&E Fund expenditures for which Lessee requests Director's approval, which approval shall not be unreasonably withheld. Any anticipated expenditure set forth in such furniture, fixtures and equipment expenditure plan which is approved by Director as an acceptable FF&E Fund disbursement shall be considered pre-approved by Director (but only up to the amount of such expenditure set forth in the annual furniture, fixtures and equipment expenditure 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 furniture, fixtures and equipment expenditure plan in effect for such year, or individual expenditures not noted on the previously submitted furniture, fixtures and equipment expenditure plan. Prior to the disbursement of any amounts from the FF&E 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 FF&E Fund.

Amounts in the FF&E Fund shall be expended periodically as necessary for Lessee to comply with the standard of operation for the Premises applicable under this Lease. If County

elects to require Lessee to remove the Improvements at the end of the Term and requires Lessee to provide a Removal Security Fund to secure its obligation to perform such removal obligations in accordance with subsection 2.3.2 of this Lease, then Lessee shall have the right to contribute to the Removal Security Fund any amounts in the FF&E Fund that are not (and will not be) required for the purposes of this Section 5.14, as determined by Director in Director's reasonable judgment. If County does not require the removal of the Improvements, and at the end of the Term there are amounts remaining in the FF&E Fund that in Director's reasonable judgment were not required for the purposes of this Section 5.14, then Lessee shall be entitled to the return of such funds.

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 subsection 4.2.1.4 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. Notwithstanding the foregoing, if County is the condemning authority and the taking pertains only to Lessee's interest, then Lessee shall be entitled to the entire amount of the Net Awards and Payments.

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.

If County is the condemning authority in connection with a total taking or a partial taking that results in the termination of the Lease, and the taking pertains to only Lessee's interest, then Lessee shall be entitled to the entire amount of any Net Awards and Payments.

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.

6.8 **Condemnation for Widening of Admiralty Way**. [THIS SECTION 6.8 TO BE DELETED PRIOR TO LEASE EXECUTION IF PRIOR TO LEASE EXECUTION THE PREMISES IS REDUCED TO ELIMINATE THE STREET WIDENING AREA UNDER SECTION 5.4.2 OF THE OPTION AGREEMENT.] The parties acknowledge that at some date in the future the County, in its governmental capacity, or another applicable governmental authority, may acquire a portion of the Premises (or Lessee's leasehold interest therein) by Condemnation for public street purposes in connection with the widening of Admiralty Way (an "**Admiralty Way Taking**"). Notwithstanding any contrary provision of this Lease, the following terms and provisions shall be applicable to an Admiralty Way Taking: (a) Lessee agrees not to contest an Admiralty Way Taking; (b) Lessee shall not be required to replace any public parking spaces located in the portion of the Premises condemned in an Admiralty Way Taking; (c) the Lease shall remain in full force and effect after an Admiralty Way Taking and Lessee shall have no right to terminate the Lease in connection therewith, except that the definition of the Premises shall be modified to exclude the portion of the Premises that is the subject of the Admiralty Way Taking, (d) there shall be no reduction in Annual Minimum Rent as a result of an Admiralty Way Taking, and (e) County shall be entitled to retain all Net Awards and Payments in connection with an Admiralty Way Taking, except that County shall make available to Lessee that portion, if any, of the Net Awards and Payments necessary to pay for the cost of the repair of any physical damage to the Improvements located on the remaining portion of the Premises caused by the Admiralty Way Taking.

7. SECURITY DEPOSIT.

7.1 **Amount and Use**. Lessee shall deliver to and maintain with County a security deposit (the "**Security Deposit**") in an amount equal to three (3) times the Monthly Minimum Rent in effect from time to time during the Term (i.e., adjusted on each Adjustment Date or Renegotiation Date to reflect any change in the Monthly Minimum Rent during the Term of this Lease). If as of an Adjustment Date (or Renegotiation Date, as applicable) Lessee has not at any time during the immediately preceding three (3) year period committed an Event of Default under this Lease, then effective on such Adjustment Date (or Renegotiation Date, as applicable) and continuing until the earlier of the occurrence of an Event of Default or the next Adjustment Date (or Renegotiation Date, as applicable), the amount of the Security Deposit required to be

maintained by Tenant shall be reduced to two (2) times the Monthly Minimum Rent placed into effect as of such Adjustment Date (or Renegotiation Date, as applicable).

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 any letter of credit to reissue the letter of credit, such that Lessee once again maintains a Security Deposit equal to three (3) times the then effective Monthly Minimum Rent. 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) 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**.

9.1 Lessee's Insurance. Without limiting Lessee's indemnification of County, during the Term of this Lease Lessee shall provide and maintain the following insurance issued by companies authorized to transact business in the State of California by the Insurance Commissioner and having a "general policyholders rating" of at least A-VII (or such higher rating as may be required by an Encumbrance Holder) as set forth in the most current issue of "A.M. Best's Key Rating Guide" or an equivalent rating from another industry-accepted rating agency.

9.1.1 General Liability insurance (written on ISO policy form CG 00 01 or its equivalent) and endorsed to name County as an additional insured, with limits of not less than the following:

General Aggregate:	$20,000,000
Products/Completed Operations Aggregate:	$20,000,000
Personal and Advertising Injury:	$10,000,000
Each Occurrence:	$10,000,000

Lessee may satisfy the above coverage limits with a combination of primary coverage ("Primary Coverage") and excess liability coverage ("Umbrella Coverage") (as long as (a) Lessee's Primary Coverage is at least One Million Dollars ($1,000,000) per occurrence, One Million Dollars ($1,000,000) annual aggregate, and (b) the combination

of such Primary Coverage and Umbrella Coverage provides County with the same protection as if Lessee had carried primary coverage for the entire limits and coverages required under this Section 9.1.1.

9.1.2 Automobile Liability insurance (written on ISO form CA 00 01 or its equivalent) with a limit of liability of not less than One Million Dollars ($1,000,000) of Primary Coverage and One Million Dollars ($1,000,000) of Umbrella Coverage, for each accident and providing coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto." During any period of operation of valet parking facilities, Lessee also shall provide Garagekeeper's Legal Liability coverage, (written on ISO form CA 99 37 or its equivalent) with limits of not less than Three Million Dollars ($3,000,000) for this location.

9.1.3 Workers Compensation and Employers' Liability insurance providing workers compensation benefits, as required by the Labor Code of the State of California and for which Lessee is responsible, and including Employers' Liability coverage with limits of not less than the following:

Each Accident:	$1,000,000
Disease - policy limit:	$1,000,000
Disease - each employee:	$1,000,000

9.1.4 Commercial Property insurance covering damage to the Premises, including improvements and betterments, from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30), excluding earthquake, and including Ordinance or Law Coverage, written for the full replacement value of the Improvements, with a deductible no greater than $250,000 or 5% of the property value, which ever is less, and also including business interruption, including loss of rent equal to eighteen (18) months of rent, with proceeds payable to Lessee and County as their interests may appear and utilized for repair and restoration of the Premises and Improvements. Notwithstanding the foregoing, during any period during which no Improvements exist on the Premises or all of the existing Improvements are being demolished in connection with the construction of Development Work, the obligation to provide insurance under this subsection 9.1.4 shall not be applicable so long as the insurance coverage described in subsection 9.1.5 below is carried.

9.1.5 For construction projects, including any Alterations or restoration, on the Premises, Lessee or Lessee's contractor or subcontractors will provide the following insurance (County reserves the right to determine the coverage and coverage limit required on a project by project basis):

9.1.5.1 Builder's Risk Course of Construction to insure against damage from perils covered by the Causes-of-Loss Special Form (ISO form CP 10 30). This insurance shall be endorsed to include ordinance or law coverage, coverage

for temporary offsite storage, debris removal, pollutant cleanup and removal, testing, preservation of property, excavation costs, landscaping, shrubs and plants and full collapse coverage during construction (without restricting collapse coverage to specified perils. This insurance shall be written on a completed-value basis and cover the entire value of the construction project, including County furnished materials and equipment, against loss or damage until completion and acceptance by Lessee.

9.1.5.2 General Liability. Such insurance shall be written on ISO policy form CG 00 01 or its equivalent with limits as reasonably required by the County for the Alterations. The products/completed operations coverage shall continue to be maintained for the following periods: (a) in the case of the Development Work, three (3) years after the date the Development Work is completed and accepted by the Lessee, or (b) in the case of Alterations after the completion of the Development Work, such period after the date such Alterations are completed and accepted by Lessee as reasonably determined by County, but not to exceed three (3) years after such completion and acceptance.

9.1.5.3 Automobile Liability. Such coverage shall be written on ISO policy form CA 00 01 or its equivalent with a limit of liability as reasonably required by the County for the Alterations. Such insurance shall include coverage for all "owned," "hired" and "non-owned" automobiles, or coverage for "any auto."

9.1.5.4 Professional Liability. Such insurance shall cover liability arising from any error, omission, negligent or wrongful act of the contractor and/or licensed professional (i.e. architects, engineers, surveyors, etc.). This coverage shall also provide an extended two-year reporting period commencing upon termination or cancellation of the construction project. The limits of the coverage required under this subsection 9.1.5.4 shall be (a) Three Million Dollars ($3,000,000) with respect to the prime architect for the Development Work (or such lesser amount as required by Director for the prime architect in connection with any subsequent Alterations), and (b) One Million Dollars ($1,000,000) with respect to each other contractor, subcontractor, architect, engineer, surveyor or other licensed professional rendering services in connection with the design or construction of the Development Work or subsequent Alterations, provided that Director shall have the discretion to reduce the coverage limits under this clause (b) if appropriate in the judgment of Director based on the nature and scope of the services being provided.

9.1.5.5 Asbestos Liability or Contractors Pollution Liability insurance, if construction requires remediation of asbestos or pollutants, and if such insurance is available. Such insurance shall cover liability for personal injury and property damage arising from the release, discharge, escape, dispersal or emission of asbestos or pollutants, whether gradual or sudden, and include coverage for the costs and expenses associated with voluntary clean-up, testing, monitoring and treatment of asbestos in compliance with governmental mandate or order. If the

asbestos or pollutant will be removed from the construction site, asbestos or pollution liability is also required under the contractor's of subcontractor's Automobile Liability Insurance. Contractor shall maintain limits as reasonably required by the County for the Alterations.

9.1.6 If the use of the Premises or Improvements involves any manufacture, distribution or service of alcoholic beverages, Liquor Liability insurance (written on ISO policy form CG 00 33 or 34 or their equivalent) with a liability limit of not less than Five Million Dollars ($5,000,000) per occurrence and an annual aggregate of Ten Million Dollars ($10,000,000), which limits may be covered by a combination of Primary Coverage and Umbrella Coverage. If written on a claims made form, the coverage shall also provide an extended two-year reporting period commencing upon the termination or cancellation of the Lease.

9.2 Provisions Pertaining to Property Insurance. The insurance coverage required in Sections 9.1.4 and 9.1.5.1 shall name the County as an additional insured and any Encumbrance Holder as loss payee. Subject to Section 12.8, upon the occurrence of any loss, the proceeds of property and builder's risk 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. Subject to Section 12.8, any surplus or proceeds after said rebuilding or replacement shall be distributed to Lessee.

9.3 General Insurance Requirements. Subject to the immediately following grammatical paragraph, a duplicate policy or policies (or certificates of insurance) evidencing the insurance coverage required under this Article 9, in such form as shall be reasonably acceptable to County, shall be filed with Director no later than the Effective Date, provided that the evidence of the insurance coverage required under Section 9.1.5 shall be required to be delivered by Lessee prior to the commencement of any Alterations. All certificates of insurance shall (a) specifically identify the Lease; (b) clearly evidence all coverages required under the Lease; (c) identify any deductibles or self-insured retentions exceeding $25,000 or such other commercially reasonable amount as approved by the Director; and (d) evidence all other requirements under this Article 9. The policy or policies of insurance shall provide that such insurance coverage will not be canceled or reduced without at least thirty (30) days prior written notice to Director or ten (10) business days in case of cancellation for failure to pay the premium. At least ten (10) business days prior to the expiration of such policy, a certificate showing that such insurance coverage has been renewed shall be obtained by Lessee and filed with Director.

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

Any insurance coverage may be issued in the form of a blanket policy insuring other properties, in form, amount and content reasonably satisfactory to County such that such coverage provides the same protection as required under this Article 9 as if the insurance had been procured on an individual property basis.

9.4 Additional 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 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 any liability insurance policy or policies;

(b) that the full amount of any losses to the extent property 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;

(c) 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;

(d) 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;

(e) to the extent of the indemnification obligations of Lessee in favor of any additional insureds, the property and commercial general liability insurance policies shall provide coverage on a primary and non-contributory basis with respect to such additional insureds, regardless of any other insurance or self-insurance that such additional insureds may elect to purchase or maintain;

(f) that losses, if any, shall be adjusted with and payable to Lessee, County and Encumbrance Holders, if any, pursuant to a standard mortgagee clause;

(g) 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;

(h) that the commercial general liability 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,

(i) that the property and commercial general liability insurance 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.

9.5 Failure to Procure Insurance. If Lessee fails to procure or renew the herein required insurance and does not cure such failure within five (5) business days after written notice from County, 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. All monies so paid by County shall be repaid by Lessee, with interest thereon at the Applicable Rate, to County within five (5) business days after Lessee's receipt of written demand therefor.

9.6 Adjustment to Amount of Liability Coverage. The amounts of liability insurance required under Section 9.1.1, 9.1.2 and 9.1.3 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.

9.7 Notification of Incidents, Claims or Suits. Lessee shall notify County of any accident or incident on or about the Premises which involves injury or property damage over Fifty Thousand Dollars ($50,000.00) in the aggregate and pursuant to which a claim against Lessee and/or County is made or threatened. Such notification shall be made in writing within 72 hours after Lessee first becomes aware of the claim or threatened claim.

10. MAINTENANCE AND REPAIR; DAMAGE AND DESTRUCTION.

10.1 **Lessee's Maintenance and Repair Obligations**. Lessee shall maintain the Premises, including paved or unpaved ground surfaces and Improvements thereon (including the Promenade, but excluding the Excluded Conditions), in conformance with the Minimum Standards regarding the use and occupancy of commercial (including hotel) projects 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 commercial projects in Marina del Rey (the "**Maintenance Standard**"). Any dispute as to whether revisions to the Maintenance Standard adopted by the County from time to time pursuant to the immediately preceding sentence is 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's obligations shall include the obligation to keep all dock facilities in good repair and condition in accordance with the Minimum Standards.

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

For purposes of determining the number of items of deficiency set forth in a deficiency notice received from the County, County shall reasonably identify the separate deficiencies so as not to unfairly increase the daily amount payable under this Section 10.2 by separating the work into unreasonably particularized items (e.g., the requirement to paint the exterior of a building shall not be split into individual deficiency items for the painting of each individual door, window or other component of such building). If a cited deficiency is not health or safety related and does not otherwise constitute an emergency, and if in the reasonable and good faith business

judgment of Lessee the deficiency notice was erroneously issued by County, then Lessee shall have the right to contest such deficiency notice by written notice to Director within five (5) business days after the date the deficiency notice is received by Lessee. If Lessee files any such contest with Director, then Director shall have the right, in the exercise of Director's discretion, to consider such contest. If Lessee's contest is made on a reasonable and good faith basis, then the cure period for the deficiency notice shall be tolled during the period between the date Director receives written notice of such contest and continuing until Director notifies Lessee in writing that either Director denies Lessee's contest or that Director has determined not to consider such contest, and the daily penalty set forth above in this Section 10.2 shall not be applicable during the period that the cure period is tolled. The One Hundred Dollars ($100) per diem amount set forth in this Section 10.2 shall be adjusted every three (3) years during the remaining Lease Term on each third (3rd) anniversary of the Effective Date to reflect any change in the Consumer Price Index over the three (3) year period immediately preceding each such adjustment. If Lessee fails to pay any amounts payable by Lessee under this Section 10.2 within ten (10) days after written notice from County, then County shall have the right to draw on the Security Deposit to cover such unpaid amounts.

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

10.3.1 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 10.3.1. County shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Lessee has notified the Encumbrance Holder regarding Lessee's desire to terminate this Lease.

10.3.2 No more than sixty (60) days following the giving of the notice required by subsection 10.3.1 or such longer time as may be reasonable under the circumstances, 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.

10.3.3 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.

10.3.4 Within ten (10) days following the County's receipt of the notice referred to in subsection 10.3.1, County has not received 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.

10.4 **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.

10.5 **No County Obligation to Make Repairs**. County shall have no obligation whatsoever to make any repairs or perform any maintenance on the Premises.

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

10.7 **Other Repairs**. Although having no obligation to do so, County may, at its own cost and at its sole discretion, perform or permit others to perform any necessary dredging, filling, grading or repair of water systems, sewer facilities, roads, or other County facilities on or about the Premises. Any entry by County onto the Premises pursuant to this Section 10.7, 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; and (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 10.7.

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

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

11. ASSIGNMENT AND SUBLEASE.

11.1 Subleases.

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

11.1.2 **Approval Required**. At least thirty (30) days prior to the proposed effective date of any Sublease that is not a Major Sublease, or of any assignment or material amendment of such Sublease, Lessee shall submit a copy of such Sublease (or amendment or assignment thereof) to Director for approval, which approval shall not be unreasonably withheld. 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. If Director disapproves a Sublease, Director shall notify Lessee in writing of the reason or reasons for such disapproval.

11.1.3 **Major Sublease**. Lessee shall enter into a Major Sublease only with a reputable owner or manager of comparable hotel 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 C hereto, which is incorporated herein by this reference ("**Assignment Standards**"), either directly or indirectly give, assign, hypothecate, encumber, transfer, or grant control of this Lease or any interest, right, or privilege therein (including without limitation the right to manage or otherwise operate the Improvements

located from time to time on the Premises), or enter into a Major Sublease affecting the Premises, or license the use of all or substantially all of the Premises. Any Change of Ownership that is not an Excluded Transfer shall constitute an assignment of Lessee's interest under this Lease. In addition, for purposes of this provision, the following matters (except for Excluded Transfers) 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; or (2) the sale, assignment, or transfer of fifty-percent (50%) or more of the stock, partnership interests or limited liability company interests in an entity that owns, or is a general partner or managing member of an entity that owns, 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 matters provided herein requiring County's consent. These same limitations and approval requirements as to Lessee's interest in the Lease shall also 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**. Prior to the CO Date, County shall have the right to withhold its consent to any assignment or Major Sublease in its sole and absolute discretion. After the CO Date, County shall not unreasonably withhold or delay its consent to a proposed assignment or Major Sublease if (a) the assignee or Major Sublessee, either directly or through its affiliate or through a contractual relationship with a third party hotel operator that will operate and manage the Premises, has adequate experience in the operation of hotels and has a nationwide reservation system in which the Premises will participate; and (b) the Assignment Standards are satisfied to the reasonable satisfaction of County. If County withholds its consent to an assignment or Major Sublease, County shall notify Lessee in writing of the reason or reasons for such disapproval.

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 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 (without duplication with any Administrative Charge payable under Section 4.6.

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 thirty (30) days thereafter, County shall provide Lessee with written notification as to whether it has elected to acquire an option to purchase the interest subject to the Proposed Transfer. During said thirty (30) day period, Lessee may continue to market the interest subject to the Proposed Transfer, provided that such interest is offered subject to County's rights as provided herein. In the event that, prior to the expiration of said thirty (30) day period, County has given notice to Lessee that it has elected to acquire said option, County shall have an assignable option to purchase the interest subject to the Proposed Transfer ("**County Option**") at the Lessee Sale Price. Such County Option shall have a term of five (5) calendar months from the date of County's notice of its election to acquire such option. During the term of the County Option, Lessee shall make the Premises and its books and records reasonably available for inspection by County and third parties as reasonably requested by County. In the event that County causes Lessee to issue the County Option and subsequently declines to purchase the interest subject to the Proposed Transfer at the Lessee Sale Price, 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 acquire the

County Option within said thirty (30) day period, or (b) gives notice that it has elected not to acquire the interest subject to the Proposed Transfer, then during the nine (9) month period following the later of (a) or (b), Lessee shall be entitled to enter into an agreement to consummate the Proposed Transfer with a third party (subject to County's approval rights as otherwise set forth in this Lease) so long as (1) the actual price for the Proposed Transfer is equal to or greater than ninety-five percent (95%) of the Lessee Sale Price last offered to County and upon no more favorable material terms to the assignee, and (2) the transfer is consummated not later than twelve (12) months after the later of (a) or (b) (subject to extension to the extent that County unreasonably delays it approval of the transaction beyond such twelve (12) month period). 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 the portion of the Premises that is the subject of the proposed Major Sublease or assignment and, in the event that County elects to acquire such portion of Lessee's interest in the Premises, Lessee's Annual Minimum Rent shall be proportionally reduced 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 payable under the Lease, if any (including a provisional credit in an amount reasonably acceptable to County for any amounts that may arise from an audit by County, but that have not yet 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 the case of any unpaid rental amounts that may be found to be owing to County in connection with any uncompleted audit by County, in lieu of a provisional credit for such amounts, 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.

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 **County Approval Required**. Lessee may, with the prior written consent of Director, which shall not be unreasonably withheld, and subject to any specific conditions which may be reasonably imposed by Director, consummate one or more Financing Event(s). Lessee shall submit to Director a preliminary loan package and thereafter a complete set of all proposed transaction documents in connection with each proposed Financing Event. The preliminary loan package shall include the loan commitment (or the so-called "loan application" if the loan commitment is styled as a loan application) 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 Development 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 Development 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. One (1) copy of any and all security devices or instruments as finally executed or recorded by the parties in connection with any approved Encumbrance shall be filed with Director not later than seven (7) days after the effective date thereof. The same rights and obligations set forth above in this subsection 12.1.2 shall inure to the benefit of and shall be binding upon any holder of Ownership Interests with respect to any proposed Financing Event involving Ownership Interests.

12.2 **Consent Requirements In The Event of a Foreclosure Transfer**.

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

Foreclosure Transfer. An "**Equity Foreclosure Transferee**" shall mean a Foreclosure Transferee whose acquired interest consists of all of the Ownership Interests in Lessee.

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

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

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

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

12.3.2 Any other Foreclosure Transferee (i.e., other than an Institutional Lender as provided in Section 12.3.1 above) shall, upon becoming a Foreclosure Transferee

(other than an Equity Foreclosure Transferee), become liable to perform the full obligations of Lessee under this Lease (other than Excluded Defaults), 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 the Foreclosure Transferee shall succeed to all rights of Lessee under this Lease as a direct lease between County and such Foreclosure Transferee, provided that the Foreclosure Transferee cures any pre-existing Event of Default other than any such pre-existing Event of Default that (i) is 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 of Ownership Interests, the foregoing rights under this Section 12.3.3 shall also inure to the benefit of the Lessee.

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

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

12.3.6 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, 5.11 or 5.14 above (other than any obligations to make deposits into the Subsequent Renovation Fund) 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 the Lease or Ownership Interests, provided 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 **No Subordination**. County's rights in the Premises and this Lease, including without limitation County's right to receive Annual Minimum Rent and Percentage Rent, shall not be subordinated to the rights of any Encumbrance Holder. Notwithstanding the foregoing, an Encumbrance Holder shall have all of the rights set forth in the security instrument creating the Encumbrance, as approved by County in accordance with subsection 12.1.2, to the extent that such rights are not inconsistent with the terms of this Lease, including the right to commence an action against Lessee for the appointment of a receiver and to obtain possession of the Premises under and in accordance with the terms of said Encumbrance, provided that all obligations of Lessee hereunder shall be kept current, including but not limited to the payment of rent and curing of all defaults or Events of Default hereunder (other than Excluded Defaults or as otherwise provided herein).

12.5 **Modification or Termination of Lease**. This Lease shall not be modified or amended without the prior written consent in its sole discretion of each then existing Encumbrance Holder with respect to Lessee's entire leasehold interest in this Lease 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 **Notice of Default**. County shall not exercise any remedy available to it upon the occurrence of an Event of Default (other than exercising County's self-help remedies pursuant to Section 13.5 or imposing the daily payment set forth in Section 10.2 in the case of emergency situations), and no such exercise shall be effective, unless it first shall have given written notice of such default to each and every then existing Major Sublessee and Encumbrance Holder which has notified Director in writing of its interest

in the Premises or this Lease and the addresses to which such notice should be delivered. Such notice shall be sent simultaneously with the notice or notices to Lessee. An Encumbrance Holder or Major Sublessee shall have the right and the power to cure the Event of Default specified in such notice in the manner prescribed herein. If such Event or Events of Default are so cured, this Lease shall remain in full force and effect. Notwithstanding any contrary provision hereof, the Lender's cure rights set forth in this Section 12.6 shall not delay or toll the County's right to impose the daily payment for Lessee breaches set forth in Section 10.2.

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

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

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

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

(2) With respect to an Encumbrance Holder, but not a Major Sublessee, if before the expiration of the initial cure period, said Encumbrance Holder notifies County of its intent to commence foreclosure of its interest, and within sixty (60) days after the mailing of said notice, said Encumbrance Holder (i) actually commences foreclosure proceedings and prosecutes the same thereafter with due diligence, the initial cure period shall be extended by the time necessary to complete

such foreclosure proceedings, or (ii) if said Encumbrance Holder is prevented from commencing or continuing foreclosure proceedings by any bankruptcy stay, or any order, judgment or decree of any court or regulatory body of competent jurisdiction, and said Encumbrance Holder diligently seeks release from or reversal of such stay, order, judgment or decree, the initial cure period shall be extended by the time necessary to obtain such release or reversal and thereafter to complete such foreclosure proceedings. Within thirty (30) days after a Foreclosure Transfer is completed, the Foreclosure Transferee shall (if such default has not been cured) commence to cure, remedy or correct the default and thereafter diligently pursue such cure until completed in the same manner as provided in subsection (a) above. The Encumbrance Holder shall have the right to terminate its foreclosure proceeding, and the extension of any relevant cure period shall lapse, in the event of a cure by Lessee.

12.7 **New Lease**.

12.7.1 **Obligation to Enter Into New Lease**. In the event that this Lease is terminated by reasons of bankruptcy, assignment for the benefit of creditors, insolvency or any similar proceedings, operation of law, 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, County shall, upon the written request of any Encumbrance Holder with respect to Lessee's entire leasehold estate under this Lease or all of the Ownership Interests in Lessee (according to the priority described below if there are multiple Encumbrance Holders), enter into a new lease (which shall be effective as of the date of termination of this Lease) with the Encumbrance Holder or an affiliate thereof for the then remaining Term of this Lease on the same terms and conditions as shall then be contained in this Lease, provided that the Encumbrance Holder cures all then existing monetary defaults under this Lease, and agrees to commence a cure of all then existing non-monetary Events of Default within sixty (60) days after the new lease is entered into, and thereafter diligently pursues such cure until completion. In no event, however, shall the Encumbrance Holder be obligated to cure any Excluded Defaults. County shall notify 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 sixty (60) days after such Encumbrance Holder has received the above-described written notice from the County. Within a reasonable period after request therefor, County shall execute and return to the Encumbrance Holder any and all documents reasonably necessary to secure or evidence the Encumbrance Holder's interest in the new lease or the Premises. From and after the effective date of the new lease, the Encumbrance Holder (or its affiliate) shall have the same rights to a single transfer that are provided in subsection 12.2.3 above, and shall enjoy all of the other rights and protections that are provided to a Foreclosure Transferee in this Article 12. Any other subsequent transfer or assignment of such new lease shall be subject to all of the requirements of Article 11 of this Lease. If there are multiple Encumbrance Holders, this right shall inure to the most junior Encumbrance Holder in order of priority; provided,

however, if such junior Encumbrance Holder shall accept the new lease, the priority of each of the more senior Encumbrance Holders shall be restored in accordance with all terms and conditions of such Encumbrances(s). If a junior Encumbrance Holder does not elect to accept the new lease within thirty (30) days of receipt of notice from County, the right to enter into a new lease shall be provided to the next most junior Encumbrance Holder, under the terms and conditions described herein, until an Encumbrance Holder either elects to accept a new lease, or no Encumbrance Holder so elects.

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

12.8 **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 Subsequent Renovation Fund, Capital Improvement Fund and FF&E 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.

13. **DEFAULT**.

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

13.1.1 **Monetary Defaults**. The failure of Lessee to pay the rentals due, or make any other monetary payments required under this Lease (including, without limitation, deposits to the Subsequent Renovation Fund, Capital Improvement Fund and/or FF& E Fund), within ten (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 ten (10) day period.

13.1.2 **Maintenance of Security Deposit**. The failure of Lessee to maintain and/or replenish the Security Deposit required pursuant to Article 7 of this Lease if not cured within five (5) days after written notice of such failure.

13.1.3 **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 Completion Date set forth in Section 5.1 above (as such date may be extended pursuant to such Section 5.1, and subject to Section 12.6).

13.1.4 **Nonuse of Premises**. The abandonment, vacation, or discontinuance of use of the Premises, or any substantial portion thereof, for a period of thirty five (35) days, except when prevented by Force Majeure or when closed for renovations or repairs required or permitted to be made under this Lease; provided, however, the termination of operations in a portion of the Premises by a Sublessee shall not constitute an Event of Default under this Section 13.1.4 if Lessee uses its best efforts to recover possession of such portion of the Premises from such Sublessee and to re-sublease such portion of the Premises to another Sublessee as soon as possible; provided, further, that except as provided below operations in such portion of the Premises in accordance with this Lease must recommence no later than one hundred eighty (180) days following the date that operations in such portion of the Premises first terminated. The one hundred eighty (180) day period set forth in the immediately preceding sentence shall be tolled for delays incurred by Lessee beyond such one hundred eighty (180) day period in recovery of

possession of the Premises due to the Sublessee's bankruptcy or contest of unlawful detainer proceedings, as long as Lessee diligently continues to prosecute its action to recover possession of the Premises. In addition, notwithstanding any contrary provision of this subsection 13.1.4, an Event of Default shall not be triggered under this subsection 13.1.4 due to the termination of operations by a Sublessee as long as (i) Lessee diligently attempts to re-open the subject space as soon as reasonably possible and the subject space is re-opened for business not later than three hundred sixty five (365) days after the date that such operations were closed, and (ii) during any period between the end of the one hundred eighty (180) day period set forth above in this subsection 13.1.4 (as such period may be extended as provided above) and the date that the subject portion of the Premises is re-opened for business, Lessee pays County Percentage Rent for such space based upon an imputed Gross Receipts for such space equal to the actual Gross Receipts for such space during the one year period prior to the closure of business for such space.

Any notice required to be given by County pursuant to subsections 13.1.1 through and including 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 12.6 hereof, County shall have, in addition to any other remedies in law or equity, the following remedies which are cumulative:

13.3.1 **Terminate Lease**. County may terminate this Lease by giving Lessee written notice of termination. On the giving of the notice, all Lessee's rights in the Premises and in all Improvements shall terminate. Promptly after notice of termination, Lessee shall surrender and vacate the Premises and all Improvements in broom-clean condition, and County may re-enter and take possession of the Premises and all remaining Improvements and, except as otherwise specifically provided in this Lease, eject all parties in possession or eject some and not others, or eject none. Termination under this subsection shall not relieve Lessee from the payment of any sum then due to County or from any claim for damages against Lessee as set forth in subsection 13.4.3, or from Lessee's obligation to remove Improvements at County's election in accordance with Article 2. County agrees to use reasonable efforts to mitigate damages, 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 or entity having a recorded security interest in County's fee title to the Premises whose identity and address have been disclosed in writing to Lessee. Such person or entity shall then have the right to cure such default, and County shall not be deemed in default if such person or entity 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. During any period that County is in default of its obligation to pay a sum of money to Lessee, any amount of money that may be owed by Lessee to County (but not in excess of the undisputed amount of money owed by County to Lessee for which County is in default) shall not accrue interest or late charges during such period as County remains in default of its obligation to pay Lessee such sum of money.

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) expenses are accrued on an approximate basis each month during the fiscal year with full accrual treatment for the full fiscal year financial statements, and (B) Gross Receipts are reported monthly on a cash basis with full reconciliation to accrual treatment on the annual statement of Gross Receipts, 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 or disapproval shall not be unreasonably withheld or delayed.

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 certified by Lessee's chief financial officer showing Gross Receipts during the preceding calendar month, along with a calculation in such detail as reasonably acceptable to County of any other amounts to be calculated under Sections 4.2 through 4.8 inclusive. Lessee shall accompany same with remittance of any amount required to be paid by Lessee under such Sections 4.2 through 4.8.

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 hotel management companies and which County reasonably deems necessary if the system then being used by Lessee does not adequately verify sales for audit or customer receipt purposes.

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

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

14.9 **Accounting Obligations of Sublessees**. Lessee shall cause all sublessees, licensees, concessionaires and others conducting business operations on or from the Premises to comply with all terms of this Article 14 with respect to the maintenance, form, availability and methodology of accounting records.

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 **Intentionally Deleted**.

15.4 **County Disclosure and Lessee's Waiver**.

15.4.1 **Disclosures and Waiver**.

15.4.1.1 "AS IS". Lessee accepts the Premises in their present condition notwithstanding the fact that there may be certain defects in the Premises, whether or not known to either party to this Lease, at the time of the execution of this Lease by Lessee and Lessee hereby represents that it has performed all investigations necessary, including without limitation soils and engineering inspections, in connection with its acceptance of the Premises "AS IS".

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

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

15.4.1.4 California Civil Code Section 1542 provides as follows:

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

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

_____
Lessee's Initials

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

Minimum Rent, Monthly Minimum Rent, Percentage Rent or any other sums due County hereunder.

15.5 **Holding Over**. If Lessee holds over after the expiration of the Term for any cause, with or without the express or implied consent of County, such holding over shall be deemed to be a tenancy from month-to-month only, and shall not constitute a renewal or extension of the Term. During any such holdover period, the Minimum Monthly Rent and Percentage Rent rates in effect at the end of the Term shall be increased to one hundred 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 (or other similar evidence of delivery by overnight delivery service) 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:	IWF Beachfront Hotel, L.P. _____ _____ Attn: _____ Phone: _____ Fax: _____
and	_____ _____ _____ Attn: _____ Phone: _____ Fax: _____
With a Copy 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

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. If Director disapproves a matter that requires its approval under this Lease, then Director shall notify Lessee in writing of the reason or reasons for such disapproval.

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

15.20 **Waterfront Promenade**. As part of the Development Work Lessee shall construct waterfront improvements at Marina Beach, including a boardwalk and other pedestrian attractions with landscaping, lighting, seating, fencing and other improvements (the "**Promenade**") in accordance with the Development Plan, the Local Coastal Plan and Marina del Rey design guidelines. 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. 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.

15.21 **Lessee Responsibility for Marina Beach Public Improvement Costs**. In addition to the Promenade improvements to be constructed by Lessee, County contemplates the development of certain public improvements, alterations and amenities to Marina Beach, including without limitation, picnic facilities, public restrooms, showers, playground equipment and other amenities ("**Marina Beach Improvements**"). Lessee shall be responsible for twenty-five percent (25%) of all costs (including hard, soft and related costs) incurred in connection with the development, design, permitting, installation and construction of the Marina Beach Improvements; provided, however, that Lessee's share of such costs shall not exceed One Hundred Fifty Thousand Dollars ($150,000.00), adjusted annually to reflect any percentage increase in the ENR Index during the period between the CO Date and the date of the payment of Lessee's share of such costs to County. Lessee shall pay its share of the Marina Beach Improvement costs described above within thirty (30) days after receipt of written notice from County.

15.22 **Public Parking**. [PRIOR TO EXECUTION OF THE LEASE INSERT TERMS AND PROVISIONS PERTAINING TO THE OPERATION OF PUBLIC PARKING ON THE PREMISES AND THE DEVELOPMENT AND COST-SHARING OF ANY OFF-SITE REPLACEMENT PUBLIC PARKING ON PARCEL 21 BASED ON THE APPROVED PARKING PLAN DESCRIBED IN SECTION 5.4 OF THE OPTION AGREEMENT.]

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 4.3.1. 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 4.3 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 (with any revisions to the proposed amendment necessary to accurately reflect the arbitration award) 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.

16.15 **Notice**.

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

COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE CALIFORNIA CODE OF CIVIL PROCEDURE. YOUR AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.

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

_____	_____
Initials of Lessee	Initials of County

17. **DEFINITION OF TERMS; INTERPRETATION**.

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

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

17.3 **Business Days**. For the purposes of this Lease, "**business day**" shall mean a business day as set forth in Section 9 of the California Civil Code, 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, in recordable form and otherwise satisfactory to the parties hereto, for recording as soon as is practicable on or following the Effective Date.

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

THE COUNTY OF LOS ANGELES

By: _____
Chair, Board of Supervisors

IWF BEACHFRONT HOTEL, L.P., a California limited partnership

By: IWF Beachfront Hotel LLC, a California limited liability company, its general partner

By: Invest West Financial LLC, a California limited liability company, its sole member

By: _____
Matthew D. Marquis, Vice President

ATTEST:

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

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

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 15.20 of this Lease.

EXHIBIT B

DEVELOPMENT PLAN

[To be added]

EXHIBIT C

ASSIGNMENT STANDARDS

These standards are to apply to proposed transactions requiring County's consent pursuant to Section 11.2 of the Lease. 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 lessee and Major Sublessee (if applicable) 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 six (6) 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 lessee (or Major Sublessee, if applicable) 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 the 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 in connection with the transaction shall not result in a financing obligation which jeopardizes the Lessee's (or Major Sublessee's) ability to meet its rental obligations under the Lease or the Major Sublease. 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 Lease as required under the Lease (excluding any Excluded Transfer); 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 D

CONDITIONS TO COASTAL DEVELOPMENT PERMIT

EXHIBIT E

PERMITTED CAPITAL EXPENDITURES

The purpose of the Capital Improvement Fund is be to provide funds for the cost of additions, replacements, renovations or upgrades of or to the Improvements on the Premises, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, vertical transportation, security, communications, structural or roof) that significantly increase the capacity, efficiency, useful life or economy of operation of the Improvements or their major systems, after the completion of the Development Work. Permitted Capital Expenditures shall not include the cost of periodic, recurring or ordinary expenditures, repairs or replacements that keep the buildings or their major systems in an ordinarily efficient operating condition, but that do not significantly add to their value or appreciably prolong their useful life. The Capital Improvement Fund shall not be used to fund any portion of the cost of the Development Work or the Subsequent Renovation (as defined in Section 5.11 of the Lease). Permitted Capital Expenditures must constitute capital replacements, improvements or equipment under generally accepted accounting principles consistently applied. Permitted Capital Expenditures shall not include costs for any necessary repairs to remedy any broken or damaged Improvements, all of which costs shall be separately funded by Lessee.

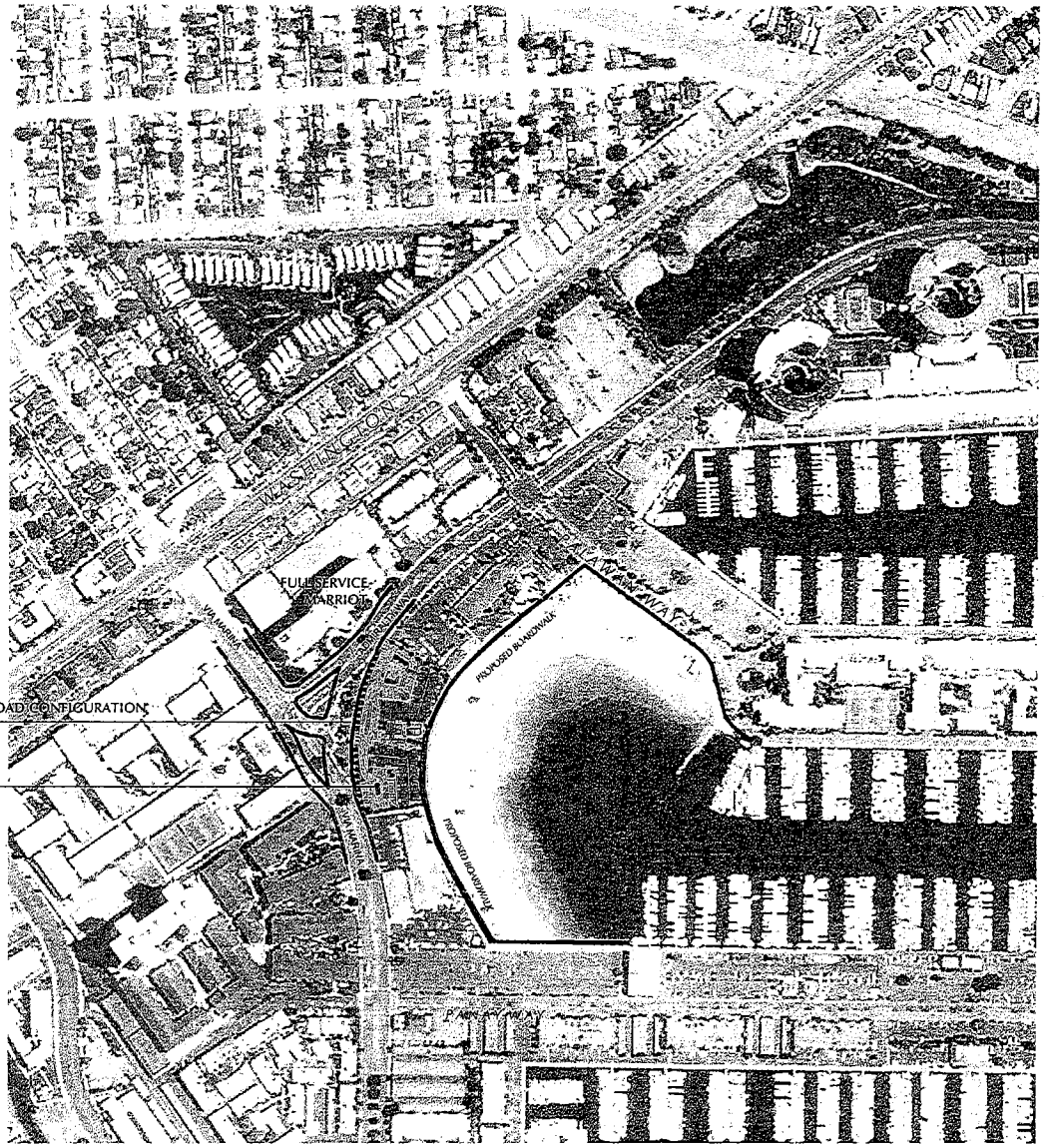
Subject to the foregoing, set forth below is a list of examples of elements, systems or categories of Improvements for which Permitted Capital Expenditures may be made. The Capital Improvement Fund shall not be used for the repair or replacement of an individual or a selected group of individual items, unless such repair or replacement is part of a larger plan (which may be a phased plan) of repair or replacement of all, or substantially all, similar items.

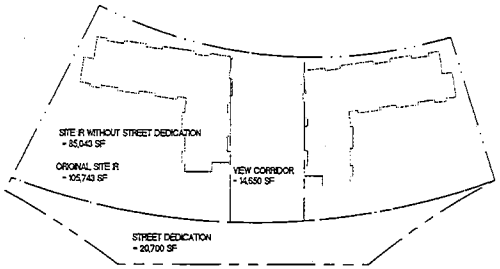
1. Painting of the building exterior*
2. Walkways and driveway replacement* (if asphalt, a minimum of resurfacing, not slurry seal)
3. Windows replacement*
4. Roof replacement* (may be on a building by building basis)
5. Elevators (replacement or addition)
6. HVAC replacement
7. Light fixtures replacement* (interior and exterior)
8. Irrigation system* (replacement or major addition)

* To qualify, these expenditures need to incorporate replacement or renovation of at least 70% of the items or facilities in question.

EXHIBIT C

PARKING PLAN





SITE AREAS

SITE AREA		105,143
STREET DEDICATION	20,700	85,043
VIEW CORRIDOR	14,650	70,395
NET AREA		70,395
NET SITE %		66%

SUMMARY

	2BR	1BR
BEACH LEVEL	4 RMS.	8 RMS.
STREET LEVEL	4 RMS.	24 RMS.
2ND FLOOR	4 RMS.	32 RMS.
3RD FLOOR	4 RMS.	32 RMS
4TH FLOOR	4 RMS.	32 RMS.
TOTAL	20 RMS.	128 RMS.

PARKING PROVIDED	
STREET LEVEL	62 SPACES
BEACH LEVEL	149 SPACES
TOTAL PROVIDED	211 SPACES
PARKING REQUIRED	
GUESTROOM *.5 SPACE/ROOM*	64 SPACES
2 BEDROOMS *1 SPACE/ROOM*	20 SPACES
TOTAL FOR HOTEL	84 SPACES
EXISTING PARKING ON SITE	209 (+7) SPACES
TOTAL REQUIRED	300 SPACES
EXISTING PARKING ELIMINATED DUE TO WIDENING OF ADMIRALTY WAY AND VIA MARINA	- 69 SPACES
TOTAL	231 SPACES
TOTAL PROVIDED	- 211 SPACES
PROVIDE AT SITE 21	20 SPACES
OPEN SPACE	59,400 SF

VICINITY MAP

MARRIOTT
RESIDENCE INN
@SITE 'IR'
MARINA DEL REY, CALIFORNIA

INVEST WEST FINANCIAL CORPORATION
&
Pacifica HOTEL INVESTORS

Marriott Residence Inn

☒ CONCEPTUAL DESIGN
☐ DESIGN DEVEOPMENT
☐ FINAL DESIGN

1

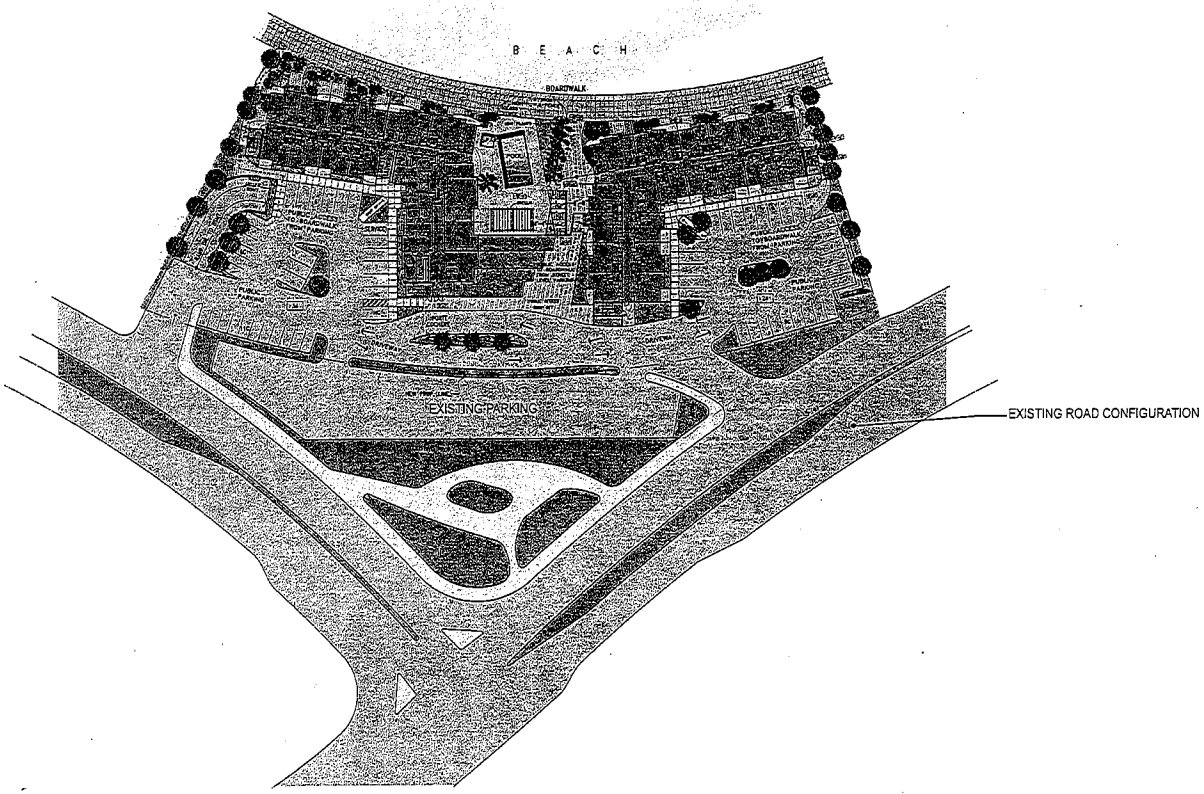
F+A ARCHITECTS

JAN 2006

MARRIOTT
RESIDENCE INN
@SITE 'IR'

MARINA DEL REY, CALIFORNIA

INVEST WEST FINANCIAL CORPORATION
&
Pacifica
HOTEL INVESTORS



0 40′ 80′ 160′

INTERIM SITE PLAN

Marriott Residence Inn

☒ CONCEPTUAL DESIGN
☐ DESIGN DEVELOPMENT
☐ FINAL DESIGN

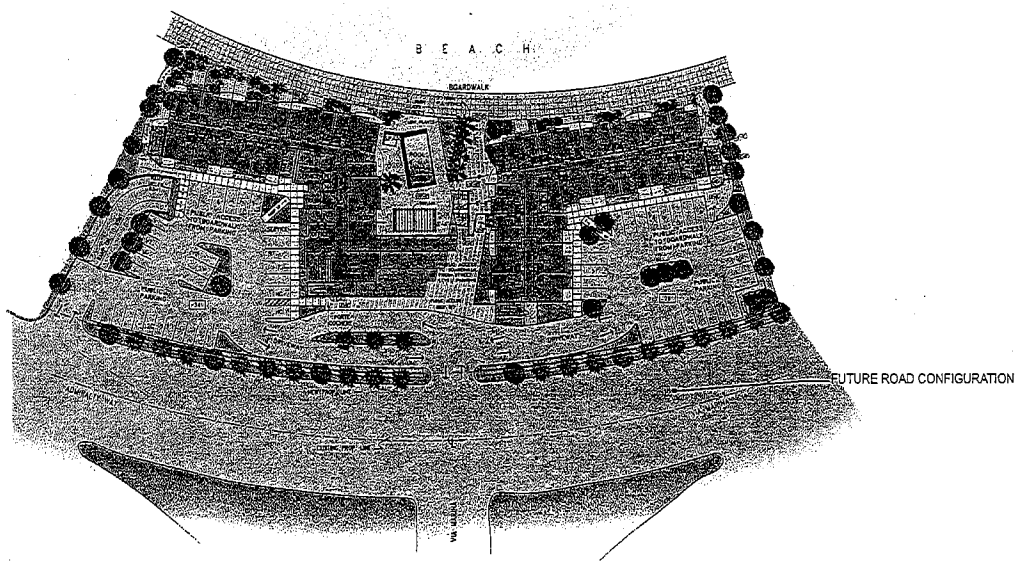
3

F+A ARCHITECTS

JAN 2006

MARRIOTT
RESIDENCE INN
@SITE 'IR'
MARINA DEL REY, CALIFORNIA

INVEST WEST
FINANCIAL
CORPORATION
&
Pacifica
HOTEL INVESTORS



Marriott
Residence
Inn

☒ CONCEPTUAL DESIGN
☐ DESIGN DEVELOPMENT
☐ FINAL DESIGN

0 40′ 80′ 160′

SITE PLAN w/ FUTURE ROADS

2
5 JAN 2006

F+A
ARCHITECTS

"To enrich lives through effective and caring service"

Los Angeles County
Caring for Your Coast
Beaches & Harbors

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

August 3, 2006

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director Stan W.

SUBJECT: **ITEM 6a - ONGOING ACTIVITIES REPORT**

BOARD OF SUPERVISORS ACTIONS ON ITEMS RELATING TO MARINA DEL REY

At its August 1, 2006 meeting, the Board of Supervisors instructed the Chief Administrative Officer to work with County Counsel, the Director of Beaches and Harbors, the Executive Director of the Community Development Commission and the Acting Director of Planning to finalize the proposed Marina del Rey Affordable Housing Policy and to prepare the necessary environmental documentation with comments and proposed revisions from interested parties and the public for the Board's consideration within 90 days.

At its July 25, 2006 meeting, the Board provided in Closed Session negotiating instructions for a proposed lease extension concerning Parcels 100S and 101S (Del Rey Shores Apartments) and a new lease for Parcels 52/GG (Dry Stack Storage Facility).

At its June 20, 2006 meeting, the Board of Supervisors approved and authorized the Director of Public Works to execute a one-year agreement, with a one-year option, with Playa Vista for operation of the Marina del Rey Summer Shuttle Pilot Service Project commencing July 1, 2006 using funds available in the Fourth Supervisorial District's allocation of Proposition A Local Return Transit Program funds.

LOCAL COASTAL PROGRAM PERIODIC REVIEW – UPDATE

The Marina del Rey Local Coastal Program periodic review is being considered at the Coastal Commission's August meeting, being held at the Los Angeles Harbor Hotel in San Pedro, as Item 8.a. on Tuesday, August 8. Although Coastal staff indicated County staff would have an opportunity to meet and review the report in advance of its consideration by the Commission, this did not occur. Instead, County staff received the 177-page report on July 25 and intends to notify the Commission the County will make no response to the report at this time and, if the Commission elects to proceed, will comply with Coastal Act requirements and respond within one year. We will have our Coastal Commission consultant at the meeting to monitor the discussion.

DESIGN CONTROL BOARD MINUTES

The draft minutes from the July 20, 2006 Design Control Board meeting are attached.

SW:tm

Attachment

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

DRAFT

MINUTES
OF
MARINA DEL REY
DESIGN CONTROL BOARD

Thursday, July 20, 2006

Burton W. Chace Park Community Building
13650 Mindanao Way
Marina del Rey, CA 90292

Members Present:	Susan Cloke, Chair – First District David Abelar, Second District Peter Phinney, A.I.A. – Fourth District
Members Absent:	Katherine Spitz, ASLA, Vice-Chair – Third District [Excused] Tony Wong, P.E. – Fifth District [Excused]
Department Staff Present:	Kerry Silverstrom, Chief Deputy Director, Beaches & Harbors Joseph Chesler, AICP, Beaches & Harbors C. L. Petters, Beaches & Harbors
County Staff Present:	Russell Fricano, Ph.D., Regional Planning Tom Faughnan, Principal Deputy County Counsel
Public Members:	Aaron Clark, Armbruster & Goldsmith David DeLange, Ph.D., Coalition to Save the Marina Donald Klein, Coalition to Save the Marina Mansour Rahimi, Resident, Villa Venetia Lorin Roche, Marina del Rey Resident Helen Garrett, Marina del Rey Resident Lavona Newton, Marina del Rey Resident Marcia Hanscom, Wetlands Action Network Robert Roy Van de Hoek, Biologist [no signature on sign-in sheet] Charles Hicks, Resident, Marina City Club Nancy Vernon Marino, Marina del Rey Resident Jan Book, Marina del Rey Resident Alex Liftis, Caruso Affiliated Matt Simon, Caruso Affiliated Dennis Stout, Dependable Business Services Greg Dallal, Caruso Affiliated Richard I. Fine, Richard I. Fine Associates Linda Mitchell, Resident, Villa Venetia Peter Mitchell, Resident, Villa Venetia Ali Zakeri, Marina del Rey Resident B. J. Clingan, Resident, Villa Venetia Steve Freedman, Marina del Rey Resident Harold Holzman, Resident, Villa Venetia John Hodder, California Wetlands Research Samuel H. Collin, Resident, Villa Venetia Jonathan Coffin, Resident of Inglewood Pamela Masten, Resident, Villa Venetia Michael Pashaie, Fisherman's Village

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Jack Hollander, Jack Hollander Associates
Randy Mason, Cash Associates
Richard Fine, Coalition to Save the Marina
Carla Andrus, Marina del Rey Resident
Tim Riley, Marina del Rey Lessees Assocation

1. **Call to Order, Action on Absences, and Pledge of Allegiance**

Ms. Cloke called the meeting to order at 2:20 p.m. Mr. Abelar led the Pledge of Allegiance.

Mr. Phinney (Abelar) moved to excuse Commissioners Spitz and Wong. [Unanimous consent.]

2. **Approval of Minutes of December 14, 2005; February 16, 2006; March 16, 2006; April 27, 2006; May 18, 2006; and June 29, 2006**

December 14, 2005: Mr. Phinney (Abelar) moved to approve the minutes for December 14, 2005 as submitted. [Unanimous consent.]

February 16, 2006: Mr. Phinney (Cloke) moved to approve minutes of February 16, 2006 as submitted. [Unanimous consent.]

Ms. Cloke reminded Ms. Silverstrom that on these minutes there was discussion about the 90 Freeway Extension. Ms. Cloke asked her to look at these minutes and put the 90 Freeway Extension on a future Agenda for response or follow-up.

March 16, 2006: Mr. Abelar (Phinney) moved to approve the March 16, 2006 minutes as submitted. [Unanimous consent.]

April 27, 2006: Mr. Phinney (Abelar) moved to approve the April 27, 2006 minutes as submitted. [Unanimous consent.]

Ms. Cloke asked Ms. Silverstrom to look at the question that was raised on page 8 of the April 27 minutes which had to do with the fact that it was the Board's understanding that projects had sufficient parking on site and subsequently found out there was a shortfall in parking. Ms. Cloke asked Ms. Silverstrom to review that portion and put that on a future Agenda for response or follow-up status.

May 18, 2006: Mr. Abelar (Phinney) moved to approve the May 18, 2006 minutes as submitted. [Unanimous consent.]

June 29, 2006: Ms. Cloke (Phinney) moved to approve the June 29 minutes with corrections as revised.

Mr. Phinney mentioned that the word "woods" in the fourth paragraph on page 6 should be "weeds." Ms. Cloke said that in the next paragraph, she thought she asked Mr. Faughnan if the report was consistent with the LCP and inquired why there was a name substitution, Mr. Fricano. She felt both names were on the record. [Unanimous consent.]

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3. **Design Control Board Reviews**

A. **Parcel 9U – Woodfin Suite Hotel – DCB #04-015-B**
Approval of the record of the DCB's June 2006 action for conditional approval of a development project, per the plans on file with the Department.

Mr. Phinney (Abelar) moved to continue consideration of DCB #04-015-B, to the next meeting to allow for corrections to be made. [Unanimously approved.]

B. **Parcels 10 & FF – Neptune Marina Apartments & Anchorage (Legacy) – DCB #04-014-B**
Approval of the record of the DCB's June 2006 action for conditional approval of redevelopment, per the plans on file with the Department.

Mr. Phinney (Abelar) moved to continue consideration of DCB #04-014-B, to the next meeting to allow for corrections to be made.

Ms. Silverstrom said that additional changes would be added and the new changes would be faxed to the Board.

4. **Consent Calendar**

Ms. Cloke asked if any Commissioners wished to take any of the items off the Consent Calendar. Mr. Phinney asked for discussion of Item 4A. Ms. Cloke requested a brief presentation of 4B and 4D, and suggested taking 4C off the Consent Calendar.

A. **Parcel 50 – Waterside Marina – DCB #06-012**
Consideration of additional identification signage for all tenants.

Mr. Chesler gave a brief overview of the proposal.

Public Comment: None.

Mr. Phinney said, from an aesthetic standpoint, the Lincoln Blvd. elevation doesn't appear to be as organized as the Admiralty Way elevation and expressed concern that the signage on Lincoln Blvd. appears a bit ad hoc (haphazard) as though it were placed by individual tenants and that it had not been coordinated by the landlord or by the architect. Mr. Phinney recommended the signs be organized in a sign band to allow pass-by traffic to read a consistent level across the façade of the building with signage of a consistent size for the purpose of identification and for the purpose of unifying the structure.

Ms. Cloke concurred with Mr. Phinney that the rear was disorganized and needed to be evenly spaced and consistent. She suggested adding an awning to Starbucks, as they are functioning as an arcade and principle entry. Ms. Cloke said she supported Mr. Phinney's concept of a more organized sign montage or a contrasting color behind the designated signs to maintain a consistent size and placement. Ms. Cloke moved for continuance and asked the applicant to submit a new drawing.

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Mr. Phinney (Abelar) moved that the applicant submit a new sign package in time for the next Design Review, making modifications to the exterior designating a sign band in a contrasting color no larger than 18" in height as a method to organize the tenant signage on the Lincoln Blvd elevation, and include an awning for the Starbucks entry. [Unanimous consent.]

B. Parcel 50 – Waterside Marina – DCB #06-013
Approval of existing merchandise kiosks.

Mr. Chesler gave a brief overview of the proposal.

The Commission inquired as to the dimensions of the carts, whether they are mobile, contain lighting fixtures, and if the people in charge are able to move the carts at their discretion.

Mr. Chesler said they appear to be in scale, are on wheels, have an electrical connection, and would be operational during business hours.

Mr. Fricano said that following this hearing, the applicant would submit to Regional Planning a plot plan that shows the location of the kiosks and that Regional Planning would review the locations to make sure that they don't interfere with pedestrian or vehicular access.

Ms. Cloke asked Mr. Chesler about the operating hours of the center.

Mr. Chesler said the staff's expectation is that they would typically be operated Monday through Thursday from 10:00 to 7:00 p.m.; Friday through Saturday from 10:00 a.m. to 8:00 p.m.; and Sunday from 11:00 a.m. to 6:00 p.m.

Public Comment: None.

Mr. Simon said that what Mr. Chesler stated about the hours of operation was correct.

Mr. Cloke said the lights go off when the last business closes down and said she believed it would likely be approximately 12:30 p.m. when operations would shut off, except for Ralphs.

Mr. Phinney (Abelar) moved to approve DCB #06-013 as submitted. [Unanimous consent.]

C. Parcel 97 – Wells Fargo Bank – DCB #06-014
Consideration of signage.

Ms. Cloke said she had questions about two entrances: the one with the door and one that faces Washington Boulevard. Mr. Chesler said the diagonal faces the interior of the shopping center at an angle, so it is visible from Washington. Ms. Cloke said she has concerns when the sign and the entry don't go together; the sign should be reduced in scale to indicate that it is not a major entry.

Mr. Stout said they tried their best to blend in with the center. He said there is a signage program with reverse channel halo-lit letters, which is not Wells Fargo's directional signage, but that is what was chosen because it is what the sign program required.

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Ms. Cloke felt the applicant should bring all of the signs down in size to 12".

Public Comment: None.

Mr. Phinney (Abelar) moved for approval of DCB #06-014 with the condition that no signage letter be larger than twelve inches in height. [Unanimous consent.]

D. Parcel 50 – amé mi – DCB #06-016
Consideration of signage.

Mr. Chesler gave a brief overview of the proposal.

Mr. Chesler said this is the corporate logo proposed in the same sign band as the previously approved signs.

Mr. Dallal said the applicant's product line is more in line with clothing than shoes and the applicant is changing the name of the store to amé mi.

Ms. Cloke suggested putting the sign on one line.

Mr. Dallal said the sign was reduced but that the apostrophe on the eave bleeds over.

Mr. Chesler assured the Board that any action could be made consistent.

Ms. Cloke asked the applicant to submit a new drawing showing the sign centered over the arch and within the dimensions of the Wrapsody sign band.

Public Comment: None.

Mr. Phinney (Abelar) moved for conceptual approval of DCB #06-016, provided that a revised exhibit is prepared in time for the next meeting. [Unanimous consent.]

5. Old Business

B. Parcels 55, 56 & W – Fisherman's Village - DCB #02-029-C
Further consideration of redevelopment project.

Mr. Chesler gave a brief overview of the proposal.

Ms. Cloke said today we are going to have public comment on Fisherman's Village and, if time allows, we are going to open the hearing on Villa Venetia.

Mr. Clark listed major points since the last meeting:

- Construction of a scaled model;
- Parking analysis which concludes that the project, through shared-use parking opportunities, does provide sufficient parking on-site;
- Wind study impacts that assess pedestrian and wind impacts of project structures on flying birds and sailing vessels; and

DRAFT

- Geotechnical survey.

Mr. Mason listed major changes to waterside improvements since the last meeting:

- Replace the charter vessel slip with a long dock where charter vessels can berth on the outside, thereby creating an area to provide rental boat operations;
- Replace objectionable pump-out stations in the central plaza area and create internal sewage pump-outs for each slip;
- Simplify the court area to establish a strictly transient slip dock area for water taxis and dinghies; and
- Create an additional ADA gangway.

Public Comment:

Mr. DeLange said that if the Fisherman's Village redevelopment proposal is put into effect, it will contribute significantly to added traffic. He said that both sides of Lincoln Boulevard have not been counted in accounting for the total number of traffic trips that need to be looked at when entitling or not entitling this project.

Mr. Fine said if the members of the Board look at the draft LCP review from the Coastal Commission, they will find a traffic study by the City of Los Angeles, Department of Transportation, and that study will show that there are approximately 60,000 cars per day traveling both ways on Lincoln Boulevard and will show the amount of traffic that is on Lincoln Boulevard at sunset hours. Mr. Fine added that members of the Board can compare that number to the LCP, which is the cap to the amount of traffic allowed in the Marina before development must stop.

Mr. Klein said if an EIR is done, questions presented today could be resolved and added it is a requirement by law that the EIR must be completed before it comes before this Board. Additionally, he expressed concerns about the density of this project.

Ms. Hanscom said two parking lots across Fiji Way, which were originally permitted by the Coastal Commission, were originally created for the 1984 Olympics.

Ms. Marino expressed that the public always comes last and would like to see the public comment period moved forward in the Agenda. On the parking issue, the Certified Local Coastal Program (Section A2E, Paragraph 9), states "all private uses shall satisfy their parking requirements on site." Lastly, she expressed her objection to shared parking.

Ms. Garrett expressed objection to Asset Management Development and parking density.

Mr. Van de Hoek said that one of the things being talked about by scientists and biologists is a tidal channel connecting the Grand Canal and the Ballona Lagoon. He said that the State Department of Fish and Game is planning to put a seawall on Fiji where the parking lot edge connects with the street and, where they are bounded with the County, they are planning to have a tidal creek.

Mr. Phinney (Abelar) moved for conceptual approval of DCB #02-029-B, with conditions as outlined by staff. [Unanimous consent.]

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Mr. Abelar asked County Counsel to explain the conceptual approval and what it means to the general public, so that they are clear on what is being done.

Mr. Faughnan said the Design Control Board is primarily an advisory body appointed by the Board of Supervisors to review and make recommendations regarding projects, prior to those projects entering the entitlement phase of the project review, and then the projects come back once they have received their entitlements for further design element reviews.

Mr. Faughnan said that in direct response to concerns that there should be an EIR prior to the Board's consideration of a project; the Board is not making a final discretionary approval that would entitle any developer to go out and build. They have to go through the full entitlement process before the Regional Planning Commission to receive their Coastal Development permit. Those entitlements are what permit the developer to go out and build the project. That is where the Environmental Review is appropriate and that is where it is done.

Ms. Cloke reintroduced Mr. Landini, Small Craft Harbor Commission, and said he is the liaison with the Design Control Board and kind enough to stay through these meetings and help in places where the Board needs help to coordinate communication between the two bodies.

A. **Parcels 95 & LLS – Marina Gateway – DCB #02-026-B**
Further consideration of redevelopment project.

Skipped and subsequently not heard due to time constraints.

C. **Parcels 111/112 – Marina Harbor – DCB #06-010-C**
Further consideration of renovations.

Not heard due to time constraints.

6. **New Business**

A. **Parcel 64 – Villa Venetia – DCB #06-015**
Consideration of redevelopment project.

Not heard due to time constraints.

7. **Staff Reports**

Not heard due to time constraints.

8. **Comments From the Public**

Mr. DeLange made a brief comment that three days ago, while looking at the Department of Beaches and Harbors web site, he noticed that a wrong date was indicated for today's meeting. It was corrected a day later and inquired if this created any noticing problems.

Ms. Hanscom said that the staff report indicated there was no movement, to date, about the Coastal Commission Hearing next month and wanted to make sure everyone is aware that their Agenda has been posted, and the Local Coastal Program Periodic Review is on the Agenda for Tuesday, August 8, in San

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Pedro. She said how important it is that the County attempt to embrace the natural resources in the Marina and make sure the wildlife is incorporated. She felt the County could actually enhance their revenues if they focused more on ecologically oriented tourism as opposed to high-rise development.

Ms. Marino said the Design Control Board routinely hesitates to reject inappropriate plans. She said County documentation outlines the authority of the Board, and the job that the Design Control Board is granted is to deny approval of any project. Ms. Marino expressed that she has not seen any denial of projects and many are given conditional approvals with architectural details. Lastly, she expressed that she would like to see the authority of the Board used more often for some of the more flagrant excesses.

Ms. Andrus said three months have passed since the presentation of the alternative proposal for development of Mother's Beach. She formally requested that the alternative proposal be taken seriously and given the respect of an answer. She asked to be put onto the next evening meeting Agenda.

Mr. Riley felt today's meeting illustrated a need to look at a new approach. There are development projects that a lot of people are interested in and he would like to see the Board move forward. He suggested possibly bifurcating this meeting, or having separate meetings dealing with ministerial actions, signage, or another kind of meeting to address the development plans.

Mr. Van de Hoek said, upon frequently visiting Fisherman's Village, that he has watched the wildlife. He felt it would be a pro-active endeavor to place interpretative exhibits for public viewing.

Ms. Cloke said it was her great pleasure to say a few words about Joe Chesler, who is going to be leaving. The Board has placed very high demands on Department staff and Joe has always worked hard to meet those demands.

9. Adjournment

Ms. Cloke (Phinney) moved to adjourn the meeting in honor of Joe Chesler. [Unanimous consent.]

Respectfully submitted,

C. L. Petters
Design Control Board Secretary

LOS ANGELES COUNTY SHERIFF's DEPARTMENT

Marina del Rey Station

August 3, 2006

TO: Small Craft Harbor Commission

FROM: Harbor Operations Office

SUBJECT: **AGENDA ITEM 6b - REGISTERED LIVEABOARD SLIPS IN MARINA DEL REY HARBOR**

Over the past 6 ½ years the average number, yearly, of registered liveaboard slips is 543, which represents 10.0% of Marina del Rey's 5,400 boat slips.

2000

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	530	532	516	531	532	536	515	510	504	500	498	492
%	9.8	9.8	9.5	9.8	9.8	9.9	9.5	9.4	9.3	9.2	9.2	9.1

2001

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	492	493	498	499	503	506	508	510	511	514	518	514
%	9.1	9.1	9.2	9.2	9.3	9.3	9.4	9.4	9.4	9.5	9.5	9.5

2002

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	509	511	506	502	501	505	514	515	518	519	520	520
%	9.4	9.4	9.3	9.2	9.2	9.3	9.5	9.5	9.5	9.6	9.6	9.6

2003

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	523	525	527	529	529	531	536	536	537	538	541	541
%	9.6	9.7	9.7	9.7	9.7	9.8	9.9	9.9	9.9	9.9	10.0	10.0

2004

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	543	543	543	545	547	551	557	560	562	565	566	569
%	10.0	10.0	10.0	10.0	10.1	10.2	10.3	10.3	10.4	10.4	10.4	10.5

2005

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	572	572	572	574	575	578	583	584	585	583	583	583
%	10.5	10.5	10.5	10.6	10.6	10.7	10.7	10.8	10.8	10.7	10.7	10.7

2006

Month	January	February	March	April	May	June	July	August	September	October	November	December
# of LB	580	573	576	576	561	556						
%	10.7	10.6	10.6	10.6	10.3	10.2						

"To enrich lives through effective and caring service"

Los Angeles County
Caring for Your Coast
Beaches & Harbors

Stan Wisniewski
Director

Kerry Silverstrom
Chief Deputy

August 3, 2006

TO: Small Craft Harbor Commission

FROM: Stan Wisniewski, Director Stan W.

SUBJECT: **ITEM 6c – PUBLIC REQUESTS FOR INFORMATION AT JUNE 14, 2006 MEETING**

The following items respond to public requests at your June 14, 2006 meeting pertaining to the Department of Consumer Affairs mediation services, length of stay at the Chace Park transient docks, maintenance of the Admiralty Park entrance and Admiralty Way transportation improvement projects.

Department of Consumer Affairs Mediation Services

Attached is information pertaining to the Department of Consumer Affairs (DCA) mediation process and dispute resolution services (Attachment A), which can also be obtained online on our website homepage (marinadelrey.lacounty.gov) via two links to the DCA. The first link, which is the mediation summary, also has an online dispute resolution form that can be printed and filled out by users seeking direct help.

The wait for a party requesting mediation could be from one week to two months depending on the other party's response. If DCA doesn't receive a response from the other party after repeated efforts, the case will remain open for two months but will eventually be closed.

Chace Park Transient Dock Policy and Length of Stay

Attached is Policy Statement No. 30 (Attachment B), which provides the regulations for vessels using the Chace Park transient docks. Additionally, listed below are rules pertaining to the length of stay at the docks, as there were questions regarding this subject at your June meeting.

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

- Seven-Day Maximum

Boaters are permitted to stay at the Chace Park transient docks for up to seven days within a 30-day period. This period commences upon arrival, e.g., if a boater arrives on the 17th of June, the boater can stay for up to seven days (consecutively or sporadically) from the 17th of June to the 16th of July. Thereafter, the boater can commence a new 30-day period on the 17th of July or any subsequent time. Extensions for up to an additional seven days within a 30-day period are possible but must be authorized by the Director of Beaches and Harbors or his designee.

- Four-Hour Dock

Vessels can use this area for up to four hours within a 24-hour period. The 24-hour period commences upon arrival, e.g., if a vessel arrives at 4 pm on Monday, it can stay for up to four hours (continuous or sporadically) to 4 pm Tuesday. The vessel can then commence a new four-hour period thereafter.

Admiralty Park Entrance/Landscape Maintenance

The entrance to Admiralty Park is fertilized twice per year. The standard for mowing is 2½ inches for water conservation purposes and is observed throughout the County, including facilities under the jurisdiction of the Department of Parks and Recreation. The surrounding trees have recently been trimmed.

Marina Expressway (SR90) Connector Road to Admiralty Way Project, the Admiralty Way Improvement Project and Reconfiguration of the Intersection of Admiralty Way and Via Marina

The County Department of Public Works hired a consultant to work on an EIR/EIS for the SR90 project, the Admiralty Way project and the reconfiguration of the intersection of Admiralty Way and Via Marina, which are three separate projects that can advance together or independently. The EIR/EIS will examine all scenarios and show traffic conditions with and without each of these projects. These potential projects are all described in the Marina del Rey Local Coastal Program as potential mitigation of traffic impacts of redevelopment in Marina del Rey and of all area developments on the regional transportation system. These projects are not mitigation measures for Playa Vista.

The Department of Public Works received input from members of the public, organizations, and government agencies on the scope and content of the information to be included and analyzed in the EIS/EIR at three public scoping meetings held at the Burton Chace Park Community Center on March 9, 2006, March 18, 2006, and May 9, 2006. The presentation and project information material distributed, as well as other information, are available on the projects' website at: www.sr90admiraltyway.org. The EIR/EIS is expected to be completed in mid to late 2007.

SW:tm
Attachments

ATTACHMENT A

County of Los Angeles
Department of Consumer Affairs
Information Sheet

Mediation

Resolve your dispute without going to court

If you want to settle a dispute outside of court, mediation is a great alternative. We offer free mediation service to the residents and businesses of Los Angeles County.

We handle disputes between:

- Landlords and tenants
- Businesses and customers
- Neighbors
- Family members or roommates
- Contractors and homeowners
- Homeowner associations

What is mediation?

In mediation, a neutral third party helps you resolve your dispute. Participation is voluntary, so both sides must agree to mediation to begin the process.

The mediator is a neutral party who does not take sides. The mediator is trained to assist both of you in reaching a solution to the problem.

Mediation is confidential. Conversations and settlement agreements can be kept confidential.

Mediation is risk-free. If you cannot resolve your dispute in mediation, you can still go to court.

There are three kinds of mediation:

- **Telephone Conciliation:** You do not meet face-to-face with the other person. The mediator talks to each of you separately by telephone to solve the dispute.
- **Face-to-Face Mediation:** All parties meet in person with the mediator. We schedule the mediation at a time and location convenient for you.
- **Telephone Caucus:** All parties are available via phone at the same time and the mediator talks to each party individually.

How does the process begin?

We send you a mediation form to complete and send back to us.

When we receive your mediation form, we:

1. Send you a postcard telling you we received your mediation request.
2. Send a letter inviting the other party to participate. If they do not respond, the mediator will call them.

When both parties agree to participate, the mediator will call you to:

- Discuss the matter with you in more detail and listen to any concerns you may have.
- Ask you what type of mediation you would prefer, telephone or face-to-face mediation.

If the other party agrees to mediation it will be scheduled at a time convenient to both of you.

How is mediation conducted?

In all sessions, the mediator does the following:

- Helps each of you understand the other persons point-of-view.
- Helps you focus on the problem.
- Assists you in reaching a solution you are both comfortable with.

What happens after the session?

In a Face-to-Face Mediation, the parties may create and sign an agreement at the session.

If the dispute is not solved, the parties can take other action, such as going to court.

All sides are requested to complete and return a survey form.

Dispute Resolution Form (PDF format)

Please use this form *(which requires the the FREE Adobe Acrobat Reader Software)* to request our help in resolving a dispute between yourself and a business.

For more information, contact our mediation program staff at the toll-free number listed below. If you live outside of Los Angeles County, call us at (213) 974-0825, or send an E-mail to dca@co.la.ca.us.

For more information:
County of Los Angeles Department of Consumer Affairs
B-96 Kenneth Hahn Hall of Administration
500 W. Temple Street * Los Angeles, CA 90012-2706
Telephone (800) 593-8222 (within LA County)
web site: lacountydca.info

COUNTY OF LOS ANGELES
DEPARTMENT OF CONSUMER AFFAIRS

Members of the Board

Gloria Molina
Yvonne B. Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich

Pastor Herrera, Jr.
Director

"To Enrich Lives Through Effective and Caring Service"

DISPUTE RESOLUTION PROGRAMS ACT (DRPA)
INFORMATION STATEMENT

The dispute resolution services you are receiving from The County of Los Angeles Department of Consumer Affairs Dispute Settlement Service are funded through the California Dispute Resolution Programs Act of 1986. They are being provided under contract with the Los Angeles County Department of Community & Senior Services.

A specially trained individual called a neutral will provide the service. The goal is to assist the parties in reaching a mutually acceptable agreement and/or understanding. The process will occur through a meeting of all involved fact-to-face, via separate telephone conversations with the neutral, or some combination.

The neutral will assist parties in better understanding each others goals, help avoid or break impasses, defuse controversy, and generate options that have potential for mutual gain. The neutral helps all sides to focus on their interests rather than their positions and to have a productive discussion. It is a flexible and informal process.

The neutral does not decide the outcome of the dispute. You and other individuals involved make this decision. The neutral does not make judgments regarding actions for which anyone is responsible. The neutral does not represent or advocate for anyone.

Legal Advice: This program cannot provide you legal advice or information but can refer you to other sources. You are not required to, but may be represented by an attorney during the services.

Written Agreements: Agreements may be in writing. If you and the other individuals choose to have the agreement be admissible as evidence and/or enforceable by the courts, this needs to be stated in a signed agreement.

Voluntary Participation: Your participation is voluntary and you may cease participating in the services at any time.

Cost: There is no cost for this service.

Confidentiality: Anything said or anything written during these services, with some exceptions, cannot be used in any non-criminal proceeding in which testimony can be required, unless all involved agree. This is pursuant to the California Evidence Code.

Complaints: If you have any complaints about the services received, please contact the Program Manager at 213-974-0825. You may also contact the Los Angeles County Department of Community & Senior Services at (213) 738-2621.

B-96 Kenneth Hahn Hall of Administration • 500 W. Temple Street • Los Angeles, CA 90012-2706
Telephone (800) 593-8222 (within the County of Los Angeles only) • (213) 974-1452
Fax (213) 687-0233 • TTY (213) 626-0913
lacountydca.info

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ATTACHMENT B

COUNTY OF LOS ANGELES
DEPARTMENT OF BEACHES AND HARBORS

May 13, 1988

TED REED
DIRECTOR
ERIC BOURDON
ASSISTANT DIRECTOR
STAN WISNIEWSKI
DEPUTY DIRECTOR

POLICY STATEMENT NO. 30 (Revised)

TRANSIENT BOAT DOCKS USE AND REGULATIONS

CONTENTS

1. Introduction/Purpose
2. Vessels Permitted
3. Vessels Not Permitted
4. Mooring Fees
5. Fee Exemptions
6. Time Limits and Extensions
7. Assignment of Berthing Spaces
8. Reservations Take Priority
9. Reservation Priorities
10. Illegally Moored Vessels

13837 FIJI WAY, MARINA DEL REY, CALIFORNIA 90292 (213) 305-9503

1.0 INTRODUCTION/PURPOSE

1.1 The Burton W. Chace Park transient boat docks are public docks provided by the County Department of Beaches and Harbors, and whose use is managed by the Community Services Division. In general, these docks are available for use by vessels transiting the coast and which may be seeking refuge from inclement weather, or laying in for minor repairs, replenishing supplies, or visiting. A portion of these docks -- posted as "Park Dock, 4-hour maximum" -- may also be used by locally based vessels under a casual visitor status.

2.0 VESSELS PERMITTED

2.1 Casual Visitors: Includes any vessel desirous of using the docks up to four (4) hours, within a 24-hour period. Vessels may secure in the "Casual Visitor Area" at any time night or day, free of charge, without registering with the department. Casual visitors shall not secure in the overnight portion of the docks (LACC 19.12.1010).

2.2 Transient Vessels: Includes any vessel transiting the coast which wants to moor overnight or longer. Transient vessels shall be registered with the department, with payment of fees in advance for the number of days of expected occupancy. The vessel will then be assigned a slip at the "Overnight" portion of the docks.

2.3 Trailered Vessels: Boats launched locally will be accommodated only on a space-available basis.

3.0 VESSELS NOT PERMITTED

3.1 Description

3.11 Vessels that currently have a Marina del Rey slip; or

3.12 Vessels evicted from a Marina del Rey anchorage; or

3.13 Vessels whose owners claim a slip will be available for them at some future date; or

3.14 New or old hulls which are in the process of being fitted out; or

3.15 Vessels in excess of 100 ft and/or 60 tons gross; or

3.16 Transient vessels already berthed for seven (7) consecutive days at the Burton Chace Park facility.

3.2 The County recognizes routine vessel maintenance is a necessary and ongoing event aboard all vessels. However, major repairs, fitting out, spray painting, and engine overhauls are not permitted while vessels are at these docks. Arrangements must be made by the owner or operator of these vessels to do the work (or have it done) at a boat haul-out or repair yard.

3.3 The transient docks shall not be used by new or used vessels presently owned or under the control of a yacht broker for the purpose of demonstration, commissioning, sale or resale, or by vessels recently purchased merely because a slip is not available elsewhere.

3.4 If such vessels, as defined in Section 3.1 above, are found to be using the docks, said vessels shall be deemed as illegally moored and action will be pursued by the County to remove the vessel.

4.0 MOORING FEES

4.1 All transient vessels that moor at County facilities for overnight berthing prior to midnight shall be charged the prevailing fee (see Attachment). Fees are payable in advance on a daily basis (7 days maximum) and checkout time is noon on the last paid day.

5.0 FEE EXEMPTIONS

5.1 The following categories of vessels are exempt from charges;

5.11 Vessels mooring after midnight and departing prior to 0900 hours;

5.12 Transient vessels taking refuge from storms or Small Craft Advisories for the duration of existing conditions as posted by the Sheriff's Harbor Patrol;

5.13 Transient vessels with mechanical or rigging failure through the first working day after they enter port. The Transient Dock Attendant shall inform the owner or the operator of the vessel when he moors that charges will commence at noon of the second working day for commercial mechanics or repair companies;

5.14 Vessels cleared by the Director. (Memos from the Director will confirm the clearances.)

6.0 TIME LIMITS AND EXTENSIONS

6.1 Casual Visitor Area: Maximum time allowed is four (4) hours.

6.2 Transient (or Overnight) Area: Maximum time allowed is seven (7) days. Checkout time is noon on the last paid day.

6.3 Extensions: Request for extension of time in excess of seven (7) days may only be approved by the Director or his designees.

7.0 ASSIGNMENT OF BERTHING SPACES

7.1 All overnight dock space shall be assigned first, then after 5 p.m. the Casual Visitor Dock should be utilized. When all available dock space is occupied, docking may be obtained at the various privately operated yacht anchorages or the County mooring buoys. (Note: Sheriff's Harbor Patrol controls use of these mooring buoys.)

8.0 RESERVATIONS TAKE PRIORITY

8.1 Visiting vessels seeking overnight berthing are to be directed to the transient docks, providing there is no conflict with spaces reserved for vessels and/or cruising clubs that have previously made reservations.

8.2 Approval of reservations for cruising clubs or certain other vessels will come from the Director or his designee; however, his designee may accept reservations from individual vessels as they are requested.

8.3 In the absence of reservations, transient vessels will be berthed at the transient docks on a "first-come, first-served" basis as long as space permits.

9.0 RESERVATION PRIORITIES

9.1 Order of priorities

9.11 Reservations made by cruising clubs, yacht clubs or organizations through the Director or his designee.

9.12 Bona fide transient vessels in transit on voyages between ports.

9.13 Vessels from other harbors staying overnight.

10. ILLEGALLY MOORED VESSELS

10.1 Use of the public docks is governed by regulations found in County Administrative Code (LACC 19.12 Sections .1010, .1070 and .1080). As such, illegally moored vessels (and those staying beyond their allotted time limits without paying the required fees) are subject to eviction by the County.

APPROVED: R L Reed Date: 5/16/85

RRL:yp
pp3/08