GROUND LESSOR ESTOPPEL CERTIFICATE

October 21, 2025

PROPERTY NAME:	**CRYSTAL COVE APARTMENTS**
PROPERTY ADDRESS: (include county)	**211 Yacht Club Way** **Redondo Beach, Los Angeles County, California 90277** (the "**Mortgaged Property**")
LEASE DATE:	**September 1, 2007**
GROUND LESSOR:	**CITY OF REDONDO BEACH,** **a chartered municipal corporation** ("**Ground Lessor**")
GROUND LESSEE:	**211 CRYSTAL COVE APTS LLC,** **a Delaware limited liability company**, **as successor in interest to The Kobe Group, Inc., a California corporation, successor in interest to RG/Bascom Harbor Cove Apartments, LLC, a Delaware limited liability company** ("**Ground Lessee**")

Ground Lessor acknowledges that (a) **COLLIERS MORTGAGE LLC, a Delaware limited liability company** (together with its successors and assigns, "**Lender**"), has agreed, subject to the satisfaction of certain terms and conditions, to make a loan (the "**Mortgage Loan**") to Ground Lessee, which Mortgage Loan is or will be secured by a lien on Ground Lessee's leasehold interest in the Mortgaged Property (the "**Premises**"), and (b) Lender is requiring this Ground Lessor Estoppel Certificate (this "**Estoppel Certificate**") as a condition to its making the Mortgage Loan. Accordingly, Ground Lessor hereby certifies and confirms to Lender and its transferees, successors and assigns, as follows:

1. A true, complete and correct copy of the lease between Ground Lessor and Ground Lessee with respect to the Premises, together with any other amendment, supplement or agreement related thereto, is attached hereto as Schedule I (collectively, the "**Lease**"). Other than as attached on Schedule I, the Lease has not been modified, changed, altered, assigned, supplemented or amended in any respect. The Lease represents the entire agreement between Ground Lessor and Ground Lessee with respect to the Premises.

2. Ground Lessor hereby consents to the Mortgage Loan secured by a lien as to the leasehold estate created by the Lease, and to the encumbrance of a security lien against Ground Lessee's leasehold estate as security for repayment of the Mortgage Loan, it being expressly understood that Lender intends to assign the Loan to Fannie Mae, and that Fannie Mae, its successors and assigns, may specifically rely on the provisions of this Estoppel Certificate.

3. The Lease provides for an original term of **FIFTY-FIVE (55) YEARS**, commencing on **September 1, 2007** and expiring on **August 30, 2062.**

4. The Lease makes the following provision for renewal or extension of its term beyond the original term: (initial one)

(X) the Lease does not contain an option(s) or other right to renew or extend for any additional term or terms.

(___) the Lease contains an option for ___________ additional term(s) of ________ years each.

5. The rent currently payable by Ground Lessee to Ground Lessor under the Lease is $40,437.39 per month. All rent and other charges due and currently payable by Ground Lessee under the Lease through September 30, 2025 have been fully paid by Ground Lessee.

6. The Lease is valid and in full force and effect, and there is no existing default or unfulfilled obligation on the part of Ground Lessee in any of the terms and conditions of the Lease, and no event has occurred or condition exists which, with the passing of time or giving of notice or both, would constitute an event of default under the Lease.

7. Ground Lessor has no present right to terminate the Lease. Ground Lessor has neither given nor received any notice of termination of the Lease.

8. Ground Lessee has no option or right of first refusal to purchase the Premises or any part thereof.

9. Ground Lessee owns all improvements located on the Premises.

10. Ground Lessor agrees that it shall not accept a voluntary surrender or termination of the Lease for so long as the Premises are subject to the Mortgage Loan without the prior written consent of Lender in its sole and absolute discretion.

11. There is an existing mortgage encumbering Ground Lessor's fee estate that is subordinate to the leasehold estate of the Ground Lessee under the Ground Lease.

12. Ground Lessor shall not require Ground Lessee to subordinate its leasehold estate to a subsequent mortgage of the fee estate obtained by Ground Lessor.

13. Ground Lessor has not assigned, mortgaged, conveyed, transferred, encumbered, hypothecated or granted to any party any interest in the Lease or the Premises (other than recorded easements, rights of way or similar recorded encumbrances of record as of the date hereof) other than to Ground Lessee, or granted to any party any right or option to purchase the Premises or any interest of Ground Lessor in the Lease other than options granted to Ground Lessee under the Lease. Ground Lessor has not subordinated its interest in the Lease to any mortgage lien or other encumbrance on the fee.

14. Ground Lessor consents to the assignment and mortgage by Ground Lessor of Ground Lessor's interest in the Ground Lease and the Premises to Lender in connection with securing a loan to be made by Lender to Ground Lessor in the approximate original principal amount of **THIRTY-FIVE MILLION ONE HUNDRED THIRTY-EIGHT THOUSAND AND 00/100 DOLLARS ($35,138,000.00)** (the "Loan"). Ground Lessor represents and warrants that no agreement or joinder of any party is required in connection with such consent by Ground Lessor.

15. Ground Lessor consents to the right of Lender to foreclose on the Mortgage Loan and sell or take title to or possession of the leasehold estate of Ground Lessee in its own name or in the name of an assignee or nominee without Ground Lessor's prior consent. In the event of any such foreclosure or any other exercise by Lender of rights and remedies (whether under the Mortgage Loan or under applicable law), as a result of which Lender (or its designee or nominee) or a third party purchaser becomes owner of the leasehold estate, or delivery of a deed or other conveyance of Ground Lessee's interest in lieu of any of the foregoing, Ground Lessor agrees that, Lender (or its designee or nominee) or a third party purchaser at a foreclosure sale or a transferee that receives a deed in lieu of foreclosure shall only be liable for acts or omissions taking place during the period in which Lender (or its designee or nominee) or such third party purchaser at a foreclosure sale or transferee that receives a deed in lieu of foreclosure had record title to the leasehold estate, and Ground Lessor will provide for an automatic release of Lender (or its designee or nominee) or any third party purchaser at a foreclosure sale or transferee that receives a deed in lieu of foreclosure, upon confirmation that any defaults that are not personal to Ground Lessee have been cured, as provided in Section 13.4 of the Ground Lease.

16. Ground Lessor agrees that, without the written consent of Lender, (a) there shall be no merger of any estate or interest in the Premises (whether leasehold, fee, mortgage lien or otherwise), by reason of the fact that any such estate or interest may be owned or held, directly or indirectly, by or for the benefit of any person who now or hereafter owns or holds any one or more estate or interest in all or part of the Ground Leased Premises, and (b) Ground Lessor shall not mortgage or otherwise encumber its fee estate unless there is express subordination of the Ground Lessor's fee mortgage to the Ground Lessee's interest under the Ground Lease.

17. Events of partial or total destruction of the Premises, and events of partial condemnation of the Premises, are not events which permit Lessor to terminate the Lease, and Lessor shall not terminate the Lease on those grounds.

18. Ground Lessor confirms that, based on Ground Lessee's representation to Ground Lessor that there will be no Net Financing Proceeds from the Mortgage Loan, no Appreciation Rent as provided under in Section 18 of the Ground Lease is due in connection with the Loan.

19. Lender will rely on the representations and warranties made by Ground Lessor herein in connection with Lender's agreement to make the Mortgage Loan and Ground Lessor agrees that Lender may so rely on such representations and warranties.

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IN WITNESS WHEREOF, the undersigned has signed and delivered this Estoppel Certificate under seal (where applicable) or has caused this Estoppel Certificate to be signed and delivered under seal (where applicable) by its duly authorized representative. Where applicable law so provides, the undersigned intend(s) that this Estoppel Certificate shall be deemed to be signed and delivered as a sealed instrument.

GROUND LESSOR:

CITY OF REDONDO BEACH,
a chartered municipal corporation

By: ________________________________

Print Name:_____________________________

Title: ________________________________

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of CALIFORNIA
County of ___________________________

On ___________________________, 2025, before me, ____, a notary public, personally appeared _____________________________ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ____________________________

SCHEDULE I TO GROUND LESSOR ESTOPPEL CERTIFICATE

(Copy of Lease)

See Attached

LEASE

BETWEEN CITY OF REDONDO BEACH

AND

RG/BASCOM HARBOR COVE APARTMENTS, LLC

Commencement Date: September 1, 2007

C07-72

LEASE

This Lease ("Lease") is made and entered into effective as of September 1, 2007, by and between Lessor and Lessee with respect to certain premises described on **Exhibit A** and further defined herein.

1. Definitions

The following are definitions applicable to this Lease:

(a) Annual Financial Statement: balance sheet, income and other financial statements prepared or audited by an independent certified public accountant, reflecting all business transacted on or from the Premises by Lessee and its Sublessees during the preceding calendar year;

(b) Applicable Percentage: the percentage applicable to each permitted use (specified in paragraphs 6.1 and 6.2 below) in calculating Percentage Rent. The initial Applicable Percentage rate for each category of permitted use is set forth in **Exhibit B** attached hereto, subject to adjustment as provided in Paragraph 5.9 below:

(c) Audit Charge: Audit costs, including all reasonable outside accounting, auditing, bookkeeping and computer fees and expenses, administrative, financial and economic consultant fees, related legal fees, and the reasonable value of the services provided by Lessor's employees, elected officials, lease administrators and/or auditors and in-house counsel;

(d) Bankruptcy Code: applicable federal bankruptcy laws;

(e) Base Value: For so long as the original Lessee is the owner of the leasehold created hereby, Base Value shall be the sum of (a) the greater of (1) Twenty-Six Million Four Hundred Nine Thousand One Hundred Dollars ($ 26,409,100) prior to the completion of the Initial Renovation or (2) Thirty Million Six Hundred Fifty Thousand Dollars ($ 30,650,000) upon completion of the Initial Renovation, and (b) all sums actually expended for Base Value Increase Improvements by the original Lessee. Upon any conveyance or assignment of the leasehold, including, without limitation, a conveyance effected by a Transfer, Base Value shall be adjusted to be the sum of (x) the purchase price paid by any successor owner of Lessee's leasehold interest in the Premises, and (y) all sums actually expended for Base Value Increase Improvements by such successor owner.

(f) Base Value Increase Improvements: those Permitted Capital Improvements that significantly increase the capacity, useful life or economy of operation of the Improvements or their major systems, or otherwise constitute a significant upgrade or addition to the Improvements then existing.

(g) Capital Improvement Fund: an impound account to be created, funded and held by Lessee of a sum equal to one percent (1%) of Gross Receipts each month and which shall be used only for Permitted Capital Expenditures (provided, however, that with respect to the Chart House Sublease, the applicable amount shall be calculated as 1% of the rent paid by the Sublessee that is not passed through to Lessor);

(h) CEQA: California Environmental Quality Act;

(i) Chart House Sublease: That certain Amended Sublease with an effective date of November 1, 1987, originally between Harbor Cove Investment, Ltd., a California limited partnership and Chart House, Inc. a Delaware corporation, as the original "Lessee" thereunder, pursuant to which the restaurant improvements on the Premises are currently being run by CHLN, Inc., a Delaware corporation, as a "Chart House" restaurant. As used herein, the term "Chart House Sublease" shall not include any extension of the term thereof (except for the exercise of any existing extension options) or modification not approved by Lessor, if such extension or modification occurs after May 1, 2007, and the Chart House Sublease, for all purposes hereunder, shall be deemed to expire on September 29, 2034.

(j) Coastal Commission: California Coastal Commission;

(k) Commencement Date: September1, 2007, provided Lessor or Lessee has delivered to the other party a fully executed Lease on or before that date and, if not, the first day of the month following the date on which both parties shall be in possession of a fully executed Lease;

(l) Constituent Member: an entity holding an ownership interest in Lessee. At the time of execution hereof, the Constituent Members are Commons Apartment, LLC, a California limited liability company, and Rockpoint Real Estate Special Fund, L.P., a Delaware limited partnership;

(m) CPI Index: Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for All Urban Consumers, Los Angeles - Riverside - Orange County, California (all items), or its successor index;

(n) Deposit: Twenty-Six Thousand Five Hundred Thirty-Five and 79/100 Dollars ($26,535.79), consisting of the sum of the Old Deposit and New Deposit;

(o) Execution Payment: Four Hundred Thousand Dollars ($400,000);

(p) Fair Market Value: market value, as defined by the current edition of the Appraisal Standards Board of the Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (Washington, D.C.), or its successor;

(q) First Class Condition and Repair: a standard of maintenance at least equal to the standard maintained for similar uses in other publicly-owned marinas and harbor areas in Southern California such as Marina del Rey and Newport Beach, and in any event consistent with the standards normally observed by operators of similar types of properties seeking to maximize revenues from the operation of such properties;

(r) Force Majeure: an occurrence beyond the control and without the fault or negligence of the party affected and by which said party is unable to prevent or provide against by exercise of reasonable diligence, including acts of God or the public enemy, expropriation or confiscation of facilities, changes in applicable law, war, legal disputes, rebellion, sabotage, riots, floods, unusually severe weather, fires, explosions, or other catastrophes, strikes or lockouts, or similar occurrences;

(s) Gross Receipts: the total amount of all revenue actually received by Lessee or any Sublessee from leases of facilities and sales of merchandise and services made in, upon, or from the Premises, whether made by Lessee or by an agent, a Sublessee (as defined below), licensee or concessionaire of Lessee, whether for cash or credit, whether delivered from the Premises or elsewhere, including, without limitation, rentals, fees, licenses, royalties, and other payments of any kind (but not including Passthrough Rental). If any apartment units are provided by Lessee to any person at no rent or at a rent below the prevailing rates in the Premises for such a unit, then Lessee shall be deemed to have received the prevailing rent; provided, however, that Lessee may provide a maximum of two such units to employees without being deemed to have received any rent for such units.

To the extent Lessee or any agent, Sublessee, or concessionaire of Lessee other than the operator of the Chart House restaurant (a "Multi-facility Entity") derives revenue from membership fees or similar fees that permit access to one or more facilities outside the Premises as well as a facility within the Premises, e.g. a membership health club with on and off Premises locations, Lessor may, in Lessor's reasonable discretion, require the Multi-facility Entity to include a reasonable portion of such revenue in Gross Receipts, regardless of whether such revenues are charged or collected on the Premises or not. Lessee shall make reasonable efforts, including filing and pursuing suit, to cause the Multifacility Entity to provide to Lessor such records and other evidence as Lessor may reasonably require to enable Lessor to determine the appropriate proportion to be included in Gross Receipts. The failure of Lessor to require such an allocation in any year shall not be deemed a waiver of Lessor's right to require such an allocation in any other year; similarly, Lessor's determination of the appropriate proportion for one year shall not impair the right of Lessor to determine a different of appropriate proportion for any other year.

The following shall not be included in Gross Receipts:

(i) Sales taxes collected from customers and paid by Lessee, its agents, Sublessees, concessionaires or licensees;

(ii) Refundable deposits, unless converted to a sale or nonrefundable deposit;

(iii) Tips, gratuities and reasonable service fees paid to employees, however paid (including by credit card), so long as such service fees are separately stated on customer's bills, paid to employees without deduction (except taxes or similar deductions required by law), and do not replace wages previously paid to any such employees or comparable employees;

(iv) Credit and cash refunds made on any sale;

(v) Property tax reimbursements paid to Lessee by any Sublessees, provided that such reimbursements are no greater than an allocable portion of property taxes imposed on Lessee and do not replace rental that would otherwise be paid to Lessee;

(vi) Reimbursements paid to Lessee by the operator of the Chart House restaurant for its portion of the King Harbor Association fees;

(viii) Funds paid to Lessee by insurers arising from insured losses (other than rental interruption or business interruption insurance), to the extent such payments do not exceed actual losses and are spent on repairs or improvements to the Premises;

(ix) Proceeds from condemnation or eminent domain.

(x) If any portion of the Premises is subleased for office use, the revenue received and/or generated by the office user.

(s) Harbor Area: the area commonly known as Redondo Beach King Harbor, which includes tide and submerged lands and uplands, of which the Premises is a part;

(t) Harbor Director: Lessor's Harbor Director or his successor as defined by the City of Redondo Beach municipal code title 12 (as amended from time to time);

(u) Hazardous Substance: any substance, the presence of which on the Premises is (i) potentially injurious to the public health, safety or welfare, the environment on the Premises, or (ii) regulated or monitored by any governmental authority, or (iii) a potential basis for liability of Lessor to any governmental agency or third party, or (iv) a potential basis for cancellation of any insurance policy covering the Premises, or (v) petroleum and petroleum products and fractions thereof;

(v) Improvements: all buildings, structures, installations and other improvements on the Premises, except trade fixtures owned or installed by or on behalf of Lessee or its Sublessees;

(w) Initial Renovation: the renovation work described in **Exhibit C** attached hereto;

(x) Initial Rental Adjustment Date: October 1, 2008;

(y) Initial Rental Period: the period ending on September 30, 2008;

(z) Institutional Lender: Any person being granted a purchase money mortgage, any insurance company, savings, and loan association, commercial bank, mutual savings bank, pension fund, welfare fund, retirement fund, endowment fund, fraternal organization, college, university, commercial lender which regularly makes first mortgage loans, or charitable organization or any combination thereof or entity controlled thereby which has net assets of not less than One Hundred Million Dollars;

(aa) Lease Term: the term of this Lease, which shall be fifty-five (55) years, commencing on the Commencement Date and ending on the fifty-fifth (55th) anniversary thereof;

(ab) Lender: any lender whose loan is secured by a mortgage, deed of trust, or other security interest in Lessee's leasehold interest in the Premises, including any Institutional Lender;

(ac) Lessee: RG/Bascom Harbor Cove Apartments, LLC, a Delaware limited liability company, its permitted successors and assigns;

(ad) Lessor: The City of Redondo Beach, a chartered municipal corporation;

(ae) Lessor Costs: Reasonable legal, accounting, and other professional consulting fees and expenses incurred or paid by Lessor, including the value of services provided by employees of Lessor, its officers, elected officials, in-house counsel, and lease administrators;

(af) Lessor Parties: Lessor, its officers, elected officials, agents, attorneys, employees, or volunteers;

(ag) Minimum Monthly Rental: Twenty-Four Thousand Seven Hundred Thirty-Five and 79/100 Dollars ($24,735.79), subject to adjustment as set forth herein;

(ah) Monthly Financial Statement: a statement in the form reasonably prescribed by Lessor and certified as correct by Lessee, which sets forth the Gross Receipts of each separate business of Lessee and any Sublessee operating on the Premises for the month just concluded;

(ai) Net Financing Proceeds: for purposes of calculating Appreciation Rent only, Net Financing Proceeds shall mean (a) the principal amount of the loan (net of transaction and closing costs, including, without limitation, prepayment premiums or penalties and defeasance costs) less (b) the greatest of the following: (i) the Base Values (ii) the principal amount of any existing financing that is paid off by the proceeds of the loan (which may include a partial payoff, but only to the extent of the amount paid off); or (iii) the principal amount of any previous financing as to which the Lessor was paid Appreciation Rent;

(aj) Net Sale Proceeds: for purposes of calculating Appreciation Rent only, Net Sale Proceeds shall mean (a) the current cash value of all consideration paid or to be paid for the conveyance of the leasehold interest (net of transaction and closing costs), less (b) the greater of the following: (i) the Base Value; (ii) the principal amount of any previous financing as to which the Lessor was paid Appreciation Rent;

(ak) New Deposit: Twenty-Four Thousand Seven Hundred Thirty-Five and 79/100 Dollars ($24,735.79);

(al) Notice of Exercise of Right of First Offer: Lessor's written notice to Lessee of its decision to exercise a right of first offer following receipt of Notice of Intention to Offer from Lessee;

(am) Notice of Intention to Offer: Lessee's notice to Lessor of its intention to sell or assign Lessee's leasehold interest and which shall include in the notice reasonably detailed terms, including purchase price, financing requirements, closing requirements and material terms and conditions upon which Lessee will sell or assign its leasehold interest;

(an) Old Deposit: the sum of One Thousand Eight Hundred Dollars ($1,800.00) paid to Lessor as a security deposit for the Old Lease;

(ao) Old Lease: That certain Lease "A" dated September 30, 1968 made and entered into by and between Lessor, as "Lessor," and R. A. Watt Company, Inc., as "Lessee," as amended pursuant to that certain Revised First Amendment To Lease Between City of Redondo Beach And Harbor Cove, Ltd. dated December 20, 1971, that certain Amendment No. 2 To Lease Between The City of Redondo Beach And Harbor Cove, Ltd. dated June 17, 1974, that certain Settlement Agreement between the City of Redondo Beach and Harbor Cove Ltd. dated November 18, 1974, that certain Amendment No. 3 To Lease Between The City of Redondo Beach And Harbor Cove, Ltd. dated November 18, 1974, that certain

Amendment No. 4 To Lease Between The City of Redondo Beach And Harbor Cove, Ltd. dated April 16, 1984, that certain Amendment No. 5 To Lease Between The City of Redondo Beach And Harbor Cove Limited dated August 16, 1994, that certain Sixth Amendment To Lease Between The City of Redondo Beach And Harbor Cove Limited dated April 20, 1999, and that certain Seventh Amendment To Lease Between The City of Redondo Beach And Harbor Cove Apartments And Beach Club, L.P. dated December 16, 2003;

(ap) Passthrough Rental: payments of rent to Lessee pursuant to the Chart House Sublease (or any other agreement with the Sublessee thereunder) that are in turn delivered by Lessee to Lessor without deduction;

(aq) Percentage Rental: the sum described in section 5.2 below;

(ar) Percentage Rental Adjustment Date: the fifth (5th) anniversary of the Commencement Date and each five (5) year anniversary following that date;

(as) Permitted Capital Expenditures: expenditures for Permitted Capital Improvements;

(at) Permitted Capital Improvements: additions, replacements, renovations or significant upgrades of or to the Improvements on the Premises that are approved in advance by the Harbor Director, including building exteriors and major building systems (such as HVAC, mechanical, electrical, plumbing, elevators, security, communications, structural, or roof), but not including any work included in the Initial Renovation. Permitted Capital Improvements shall not include the cost of periodic, recurring, or ordinary expenditures, repairs, or maintenance 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 Improvements must constitute capital replacements, improvements, or equipment under generally accepted accounting principles consistently applied, and shall not include costs for any necessary repairs to remedy any broken or damaged Improvements;

(au) Permitted Subsequent Renovations: renovations and construction work that benefit the Premises and maintain the Improvements in a condition and appearance at least equal to competitive projects containing residential and restaurant facilities, and that are approved in advance by the Harbor Director;

(av) Plans: plans, specifications, or other designs;

(aw) Plan Revisions: any revisions, modifications, or corrections to Plans, either proposed by Lessee or requested by Lessor;

(ax) Premises: those parcels of land and/or water (the "Premises"), legally described in **Exhibit A** attached hereto;

(ay) Public Funding: Funding provided by Lessor or by any other governmental entity such as a county, state, or the federal government;

(az) Records: complete and accurate books, records and accounts of Gross Receipts and all financial transactions for all business and commercial activities of any kind conducted on or connected with the Premises, including all transactions of Lessee and its Sublessees, which must be supported by source documents such as sales slips, cash register tapes, computerized sales records, purchase invoices, or other pertinent documents, including contracts and agreements related to the financial transactions;

(ba) Renovation Fund: an impound account to be created, funded and held by or on behalf of Lessee, of a sum equal to one percent (1%) of Gross Receipts each month and which shall be used only for Permitted Subsequent Renovations (provided, however, that with respect to the Chart House Sublease, the applicable amount shall be calculated as 1% of the rent paid by the Sublessee that is not passed through to Lessor);

(bb) Restaurant Improvements: that certain structure currently operated as a Chart House restaurant;

(bc) Restoration: the reasonable costs and expenses of restoring the Premises to the surrender condition as specified in Paragraph 8.1 (c);

(bd) Sublessees: any and all businesses and individuals occupying or using any portion of the improvements on the Premises for purposes of conducting business, whether pursuant to a license, a sublease, or an occupancy agreement of any kind. The term "Sublessees" shall not include residential occupants of any apartment unit, or the occupants of marina slips, hotel rooms, or meeting rooms and other public spaces for group meetings;

(be) Subsequent Rental Period: each successive three (3) year period succeeding the Initial Rental Period;

(bf) Transfer: any sale, transfer, conversion, redemption or encumbrance of any voting stock or ownership interest in Lessee, either directly or indirectly, which either separately or in the aggregate with other such sales, transfers, conversions, redemptions, or encumbrances after the effective date of this Lease, results in a change in control of Lessee;

2. Recitals

(a) The State of California has granted to Lessor certain tide lands on condition that Lessor develop, improve and operate such lands as a harbor;

(b) Lessor has developed, improved and is currently operating the Harbor Area;

(c) The Harbor Area was developed and constructed in large part prior to enactment of CEQA. The parties have each independently concluded that the leasing of parcels in the Harbor Area and the granting of entitlements for the further development of the Harbor Area, as contemplated by this Lease, would not be a "project" within the meaning of CEQA therefore will not require environmental assessment and study under CEQA;

(d) Lessee currently leases the Premises, which is a portion of the Harbor Area, from Lessor, pursuant to the Old Lease;

(e) Lessee and Lessor now desire to enter into a new lease for the Premises in order to maintain, further develop and improve the Harbor Area and to provide facilities for the accommodation of the public in the Harbor Area.

3. Lease of Premises

Lessor hereby leases the Premises to Lessee, and Lessee leases the Premises from Lessor, for the period of time and upon the terms and conditions set forth herein. This Lease and all rights and privileges granted Lessee in the Premises are subject to all covenants, conditions, restrictions and exceptions of record or apparent, including those which are set out in the grant referred to Article 2, above, and the Charter of Lessor, as originally adopted and thereafter amended, or as may hereafter be amended from time to time, and all applicable laws, ordinances, codes and regulations.

4. Term

(a) The term of this Lease shall be the Lease Term, subject to prior termination as herein provided.

(b) Upon the commencement of the Term of this Lease, the Old Lease shall be terminated automatically and this Lease shall supersede the Old Lease; however, the parties shall execute and deliver such documentation as may be reasonably necessary to evidence the termination of the Old Lease upon commencement of this Lease.

5. Rent

In consideration for the leasing of the Premises to Lessee by Lessor and Lessor's obligations under this Lease, Lessee shall pay Lessor rent as follows:

5.1 Minimum Monthly Rental

(a) During the Initial Rental Period Lessee agrees to pay to Lessor in advance on or before the first day of each calendar month, the Minimum Monthly Rental. The Minimum Monthly Rental is subject to adjustment as provided in this Lease.

5.2. Percentage Rental

(a) During the Lease Term, Lessee shall also pay to Lessor, at the times and in the manner hereinafter specified, Percentage Rental to the extent that the aggregate amount of Percentage Rental calculated under this paragraph exceeds the Minimum Monthly Rental paid by Lessee. The Percentage Rental shall be calculated by multiplying the Gross Receipts derived from the Premises by the Applicable Percentage for the use generating such Gross Receipts. Rent received by Lessee from a Sublessee (other than a Sublessee under a sublease of office space) shall not be included in Gross Receipts; provided, however, that, with respect to the portion of the Premises subject to the Chart House Sublease, the Percentage Rental shall be the greater of (i) the product of the Sublessee's Gross Receipts times the Applicable Percentage for the use that generated the Gross Receipts or (ii) ten percent (10%) the product of Lessee's Gross Receipts with respect to that Sublessee (i.e., the rent paid by the Sublessee that is not passed through to Lessor).

(b) The following are provided as examples of Percentage Rental as provided in Paragraph (a) above:

(i) If the rents received by Lessee from residential tenants of an apartment building on the Premises total Twenty Thousand Dollars ($20,000) in a month, and the Applicable Percentage for residential rentals is 10.5%, the Percentage Rent for that month for that portion of the Premises is $2,100 ($20,000 x 10.5%).

(ii) If the Chart House Sublessee generates Gross Receipts of $100,000 in a month and the Applicable Percentage with respect to those Gross Receipts is 3.5%, and the Sublessee pays $4,000 in rent to Lessee, then the Percentage Rent for the portion of the Premises occupied by that Sublessee is $3,500 (because $100,000 times 3.5%, or $3,500, is greater than $4,000 times 10%, or $400).

5.3. Appreciation Rent

In addition to the Minimum Monthly Rental and Percentage Rental specified above, Lessee shall pay to Lessor such amounts as may be calculated and determined to be due as and for Appreciation Rent pursuant to, at the times and in the manner specified in Article 18 below. Lender shall not pay Appreciation Rent at the time of foreclosure; however, any Lender shall pay Appreciation Rent in the event of a Transfer where and on the amount that the sale price paid to Lender (net of transaction and closing costs) from the subsequent buyer exceeds the Base Value.

5.4. Penalties, Late Charges, Interest and Place of Payment

If Lessee fails to make any payment to Lessor of any sum of money when due under this Lease, and such delinquency continues for ten (10) days following the due date thereof, there shall be imposed a late charge equal to four percent (4%) of the payment, which shall be added to the amount due and the total sum shall become immediately due and payable to Lessor. An interest charge equal to eight percent (8%) per year or the maximum rate allowed by law, whichever rate is less, of the total sum due and unpaid, (including the principal amount, late charges and any interest previously assessed), shall be added for each month, or portion thereof, that such amount remains unpaid, but the total interest charges shall not exceed the maximum amount permitted by law. All payments to Lessor required under this Lease shall be made at the office of the City Treasurer of Lessor.

5.5. Maintenance of Records

(a) Lessee shall at all times keep Records.

(b) All retail sales and charges shall be recorded by means of cash registers, point-of-sale computers or other comparable devices which display to the customer the amount of the transaction and automatically issue a sales receipt. The registers shall be equipped with devices that lock in sales totals and other transaction records, or with counters that are not resettable and that record transaction numbers and sales details. Totals registered shall be read and recorded at the beginning and end of each day. If point-of-sale computers are used, the software must not permit modification of transactions once they are recorded (to the extent such software is readily available at a commercially reasonable cost). Back-up copies of all such data, records and reports must be made at least weekly in a computer-readable medium and stored off-site.

(c) In the event of admission charges or fees, Lessee shall issue serially numbered tickets for each such admission or fee and shall keep an adequate and accurate record of such tickets, both issued and unissued.

(d) Lessee shall keep all Records related to this Lease at one location within either the County of Los Angeles, or the County of Orange. Lessor may, upon giving reasonable advance written notice, examine and audit the Records at any and all reasonable times during normal business hours. Lessor may disclose publicly all information, data and documents made available to Lessor in connection with the exercise of its right to examine and audit such Records. All Records, including any sales tax reports that Lessee and its Subtenants may be required to furnish to any governmental agency, shall be open to the inspection of and copying by Lessor, Lessor's auditor, or other authorized representative or agent of Lessor at all reasonable times during normal business hours, provided that Lessee or its Sublessees (as applicable) are given reasonable advance written notice of any such inspection or copying.

(e) The requirements of this Paragraph 5.5 shall not apply to the operations under the Chart House Sublease, except to the extent that the Sublessee thereunder is required to provide information and retain Records thereunder; provided, however, that, if the Sublessee thereunder does not keep Records in accordance with the provisions of this Paragraph 5.5 and permit inspection thereof by Lessor, Lessee shall require an annual audit of the Sublessee's books and records. The Records pertaining to the operations under the Chart House Sublease may be located at the headquarters offices of the operator thereunder.

5.6. Monthly and Annual Statements by Lessee, Verification of Records, Computation, Payment and Correction of Additional Percentage Rental

(a) Within twenty (20) days after the end of each calendar month during the Lease Term, Lessee shall furnish Lessor with the Monthly Financial Statement. Concurrently with delivery of each Monthly Financial Statement, Lessee shall pay Lessor the amount of additional Percentage Rental due, if any, to the extent such percentage rental exceeds the Minimum Monthly Rental already paid for such month.

(b) Within one hundred eighty (180) calendar days after the end of each calendar year during the Lease Term, Lessee shall submit to Lessor an Annual Financial Statement. The certified public accountant shall attest that the Annual Financial Statements are accurate representations of Lessee's Records as reported for income tax purposes. With respect to the Gross Receipts derived by the operator of the Restaurant Improvements, the certification may state that it is being made in reliance upon the records submitted to Lessee by the operator of the Restaurant Improvements pursuant to the Chart House Sublease, but only until such time as the Chart House Sublease is renewed, materially amended, or terminated; thereafter, any operator of the Restaurant Improvements shall comply with the provisions of this section. Within each business category or permitted use, Lessee shall separately identify each source of Gross Receipts by business name (including Lessee and its Sublessees conducting any business activities on the Premises), or other appropriate identification, specifying the exact amount of Gross Receipts derived from that source during the calendar year. The statement shall also specify all amounts received by Lessee from its Sublessees, including a separate specification of all amounts paid as deposits, fees, rents, common area charges, monetary equivalents, pass-through rents, or other considerations with a monetary equivalent.

(c) Concurrently with the Annual Financial Statement, Lessee shall submit to Lessor a statement, certified as to its accuracy by an independent certified public accountant, classifying the total Gross Receipts from the Premises for the calendar year according to the categories of business or permitted use established for Percentage Rental purposes. Within each business category or permitted use, Lessee shall separately identify each source of Gross Receipts by business name (including Lessee and any Sublessees conducting business activities on the Premises), or other appropriate identification, specifying the exact amount of Gross Receipts derived from that source during the calendar year. The statement shall also specify all amounts received by Lessee from its Sublessees, including a separate specification of all amounts paid as deposits, fees, rents, common area charges, monetary equivalents, pass through rents or other considerations with a monetary equivalent. Copies of all Form 1099's showing payments to Lessee which are reportable as Gross Receipts under this Lease shall be attached to the certified statement.

(d) If the Annual Financial Statement discloses that the percentage rental on the Gross Receipts from the Premises for the preceding calendar year exceeds the total amount of Minimum Monthly and Percentage Rentals paid by Lessee during the relevant period, Lessee shall pay the amount of the deficiency in additional Percentage Rental to Lessor concurrently with the submission of the Annual Financial Statement. If the Annual Financial Statement discloses an overpayment of percentage rental for the preceding calendar year, the amount of such overpayment shall be retained by Lessor, bear no interest, and be credited against future rent under this Lease as and when rent becomes payable to Lessor.

(e) Lessor may audit any Monthly Financial Statement or Annual Financial Statement at any time, and Lessee shall provide full access to all its books and records as provided herein. If any audit conducted by Lessor discloses that the Gross Receipts reported by Lessee for any calendar month or calendar year was understated by five percent (5%), or more, Lessee shall promptly pay the Audit Charge in addition to any amounts due as rent; otherwise Lessor shall bear the cost. The Audit Charge shall be sufficiently detailed so that Lessee may determine the fees for the various participants in the audit for whom Lessee is required to pay. Prior to Lessee's obligation to pay any Audit Charge, Lessor shall have provided Lessee with a reasonable opportunity to review and discuss the audit with Lessor and the auditor.

(f) On written notice, Lessee may require that Lessor conduct an audit of all rentals paid and payable under this Lease. Lessee shall pay all costs and expenses of any such audit as specified in paragraph (d) above. The audit shall be completed within a reasonable time after receipt of said written notice and all documents necessary therefor.

5.7. Acceptance Not Waiver; Retention of Records

(a) Lessor's acceptance of any money paid by Lessee under this Lease, whether shown by any statement furnished by Lessee or otherwise specified in this Lease, shall not constitute an admission of the accuracy or the sufficiency of the amount of such payment. Lessor may, at any time within five (5) years after the receipt of any such payment, question the sufficiency of the amount thereof and/or the accuracy of any underlying statement furnished by Lessee.

(b) Lessee shall retain, for five (5) years after submission to Lessor of any such statement, all of Lessee's Records relating to the Gross Receipts shown by any such statement, and shall make them available to Lessor for examination as provided herein during that period. Lessee shall require that all its Sublessees keep, maintain and retain records of their business activities conducted on the Premises for such five (5) year period, which records shall be made available to Lessor, Lessor's auditor, or other authorized representative or agent of Lessor for inspection and copying (at Lessor's expense) as provided herein. Lessor's request for access to a Sublessee's records may be made directly by Lessor to the Sublessee, but Lessor shall give Lessee advance or simultaneous notice thereof.

(c) Lessee shall also furnish, or require its Sublessees to furnish, all information reasonably requested by Lessor relating to the costs, expenses, earnings and profits of Lessee and/or its Sublessees related in any way to operations conducted on or connected with the Premises.

5.8. Adjustment of Minimum Monthly Rental

(a) On the Initial Rental Adjustment Date, the Minimum Monthly Rental shall be adjusted as follows: the average of the combined Minimum Monthly Rentals and Percentage Rentals payable during the immediately preceding five (5) years of the Lease Term shall be calculated. The Minimum Monthly Rental to be paid in equal monthly installments for the five (5) year period next succeeding the Initial Rental Adjustment Date ("Subsequent Rental Period") shall be the greater of (a) an amount equal to seventy-five percent (75%) of such average total rental or (b) the current Minimum Monthly Rental adjusted by CPI, but in no event less than the Minimum Monthly Rental paid by Lessee during the previous five years.

(b) At the expiration of each succeeding five (5) year period of the Lease Term following a rental adjustment date specified in subparagraph (i) above the Minimum Monthly Rental shall again be subject to adjustment in the manner provided above, except that the average total rentals for purposes of adjustment of the Minimum Monthly Rental shall be the rentals paid during the immediately preceding five (5) year period, and the adjusted rent shall in no event be less than the Minimum Monthly Rental paid by Lessee during the previous Subsequent Rental Period.

(c) To the extent there is a delay in calculating and paying the Minimum Monthly Rental for any subsequent rental period, the first payment after such calculation is made shall retroactively bring current Minimum Monthly Rental payments.

5.9. Adjustment and Renegotiation of Percentage Rental

At each Percentage Rental Adjustment Date, and at the expiration of each five (5) year period thereafter, Lessor and Lessee agree to renegotiate an adjustment in the Applicable Percentage rates applicable to Gross Receipts for each permitted use. Such renegotiation shall be conducted in accordance with the following procedure:

(a) No more than sixty (60) and no fewer than thirty (30) days before each Percentage Rental Adjustment Date, each party shall submit to the other party in writing its proposed adjustment, if any, in the Percentage Rental rates applicable to Gross Receipts for each permitted use. Within thirty (30) days after receipt of such written proposal, the party receiving the proposed adjustment shall accept or reject such proposal. The failure of either Lessee or Lessor to respond in writing to the other party within such period shall be deemed a rejection of the other party's written proposal. Except as to a deemed rejection pursuant to the preceding sentence, any response must be in writing. If either of such proposals is rejected, the party submitting the rejected proposal shall have seven (7) days from the date of written notice of such rejection, or deemed rejection, to submit a revised or modified proposal. The party receiving said revised or modified proposal shall then have seven (7) days within which to accept or reject such proposal. Lessor and Lessee shall enter into such negotiations in good faith and shall not unreasonably withhold their consent to or approval of any reasonable proposal of the other party.

(b) In the event that the parties, within thirty (30) days after the expiration of the Percentage Rental Adjustment Date, do not reach an agreement on the amount of increase or decrease, if any, of the Applicable Percentage Rental rates, the adjustment of the additional percentage rental rates for the following five (5) year period shall be determined by arbitration as hereinafter set forth.

ARBITRATION OF PERCENTAGE RENTAL RENEGOTIATION DISPUTES

(i) Within thirty (30) days after the expiration of the time period set forth in this paragraph (b), Lessor and Lessee shall attempt to jointly appoint a single neutral arbitrator to determine the Fair Percentage Rental Rates to be charged by Lessor and paid by Lessee for the uses, businesses, activities and operations conducted by Lessee and its Subtenants on the Premises. The fees of such arbitrator shall be divided equally between the parties. If within such thirty (30) day period the parties are unable to agree on one arbitrator, within the next seven (7) days, each party shall appoint one arbitrator and the two arbitrators together shall then determine the Fair Percentage Rental Rates to be paid by Lessee for the uses, businesses, activities, and operations conducted by Lessee and its Subtenants upon the Premises. Each party shall pay the fees of the arbitrator appointed by it. For purposes hereof, the term "Fair Percentage Rental Rates" shall mean a percentage rental rate for each of the permitted uses under this Lease that, when applied to the Gross Receipts generated from such use from the Premises, would yield in the aggregate a monthly rent for the Premises which is equal to the Premises' fair market rental value, taking into account all of the terms and conditions of this Lease, and the fact that Lessee owns the improvements during the term of the Lease.

(ii) If, within sixty (60) days of their appointment, the two (2) arbitrators so appointed are unable to agree on all Fair Percentage Rental Rates for the uses and operations conducted by Lessee and its Subtenants on the Premises, then they shall, in writing, immediately appoint a third arbitrator and the third arbitrator so appointed shall determine the Fair Percentage Rental Rates in the manner provided in subparagraph (iii) of this paragraph (b), for the uses, businesses, activities and operations conducted by Lessee and its Subtenants on the Premises within sixty (60) calendar days of the appointment of the third arbitrator. The fees of the third arbitrator shall be divided equally between the parties.

(iii) If the Fair Percentage Rental Rates are to be determined by the third arbitrator so appointed, the arbitrators appointed by the separate parties shall, within seven (7) days, jointly prepare a statement of the disputed percentage rental rates to be determined and the final offer by each party with respect to each percentage rental rate in dispute and shall deliver same to the third arbitrator within such seven (7) day period. The third arbitrator, after conducting such hearing as he may in his sole discretion determine to be necessary or appropriate, shall determine the percentage rental rates in dispute, which determination shall be made within twenty-one (21) days after receipt of the joint statement. In making such determination, the third arbitrator may only select the final offer of either Lessee or Lessor as to each percentage rental rate in dispute, and no other alternative or compromise percentage rental rate may be selected, unless the parties otherwise agree in writing that such a determination shall be within the power and authority of the arbitrator to make.

(iv) The arbitrator or arbitrators shall determine the Fair Percentage Rental Rates, assuming that Lessee and its Subtenants are conducting operations from the Premises in a manner reasonably calculated to maximize revenues. Said arbitrator or arbitrators shall consider only the Fair Percentage Rental Rates to be paid for the next succeeding five (5) year period during the Lease Term and shall not take into account any past occurrences, breaches, defaults or claims of Lessor or Lessee, one against the other. The arbitrator or arbitrators shall reduce the decision to writing and shall deliver to each of the parties a statement of that decision, specifying each of the Fair Percentage Rental Rates determined by the arbitrator(s). The arbitrator(s) so appointed pursuant to the foregoing provisions shall have at least seven (7) years experience in appraising fair market rents under ground leases with uses similar to those conducted at the Premises. Should any arbitrator(s) be made a party to any legal proceedings arising out of this Article, Lessor and Lessee shall jointly hold said arbitrator(s) harmless and indemnify them against any and all costs and expenses incurred in said proceedings.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF PERCENTAGE RENTAL RENEGOTIATION 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 BY 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 PERCENTAGE RENTAL RENEGOTIATION 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 PERCENTAGE RENTAL RENEGOTIATION DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

______________ Lessor's Initials

______________ Lessee's Initials

(c) The determination of adjustment, if any, Percentage Rental rates pursuant to this Article shall be final and conclusive and shall apply as of the first day of the period for which the adjustment in said rental rates has been made and shall continue in force until the expiration of the next five (5) year period during the Lease Term or until otherwise increased or decreased pursuant to other provisions of this Lease. Lessee agrees to pay Percentage Rental at the prior rates until the new Percentage Rental rates are determined, at which time the parties will make a retroactive cash adjustment in the amount paid to reflect the new Percentage Rental rates.

(d) At the expiration of each succeeding five (5) year period following a percentage rental rate adjustment date specified in paragraph (a), above, of this Article, the Applicable Percentage rates shall again be subject to adjustment in the manner hereinabove provided.

5.10. Lessee's Covenant

Lessee shall use commercially reasonable efforts to maximize the Gross Receipts derived from all activities and uses conducted or permitted to be conducted on the Premises.

5.11. Negation of Partnership

Nothing in this Lease, including the provisions relating to Appreciation Rent, Percentage Rent and standards of conduct related to Lessee's employees, shall be construed to render Lessor and Lessee in any way or for any purpose a partner, joint venturer, fiduciary or associate in any relationship with each other, The relationship of Lessor and Lessee is landlord and tenant, and this Lease shall not be construed to authorize either party to act as agent for the other, except as otherwise expressly provided in this Lease.

5.12. No Deduction or Offset

All payments of rent of any kind under this Lease shall be made without deduction or offset, and without abatement except as specifically provided in this Lease.

5.13. Execution Payment

Upon the execution of this Lease by both parties, Lessee shall pay Lessor, as additional consideration for agreeing to enter into this Lease, the amount of the Execution Payment. Such sum shall be deemed fully earned and nonrefundable execution of this Lease by both parties and shall not apply to payment of rent of any kind. Lessee may, at its option, elect to pay the Execution Payment in up to five equal annual installments, payable on the date of the occurrence of the Commencement Date and on the next four anniversaries thereof, bearing interest on the unpaid balance at the Prime Rate plus three percent (3%). For purpose hereof, the "Prime Rate" shall be the Prime Rate published in the Wall Street Journal on the date of mutual execution and thereafter on each anniversary thereof. If Lessee elects to pay the Execution Payment in two or more installments, Lessee shall have the right to accelerate the payment of one or more of the outstanding installments without paying a prepayment fee or penalty of any kind.

6. Uses

6.1. Permitted Uses

Lessee shall not use, or permit the Premises or any part thereof to be used, for any purpose, other than the purposes set forth in **Exhibit B.** The permitted uses for the Premises are non-exclusive to Lessee as to the Harbor Area and Lessor reserves the right to conduct or to permit other lessees to conduct or permit the same or similar uses on property leased from Lessor in the Harbor Area. Notwithstanding any provision contained in this Lease to the contrary, no portion of the Premises shall be used for any purpose that will interfere with commerce, navigation or fishery, or be inconsistent with any trusts under which the Premises are now or may hereafter be held by Lessor.

6.2. Other Uses

Lessee may, with Lessor's prior written consent which consent shall not be unreasonably withheld, conditioned or delayed, use the Premises for any other lawful purposes in addition to or in place of those enumerated above; provided, however, that prior to the commencement of such use by Lessee, the parties shall have agreed in writing upon a Percentage Rental rate to be applied to such use, which agreement shall be in the form of an amendment to this Lease, duly executed by the parties. Lessor may also, in its reasonable discretion, specify, prescribe and/or approve the exact location on the Premises where Lessee or its Sublessees may conduct a particular use permitted under this Lease which is different than or in addition to the uses originally permitted under this Lease.

6.3. Use of Tidelands

If at any time during the Lease Term the tenancy permitted hereunder, without a default by Lessee, is or becomes inconsistent with the trust under which the Premises or any portion thereof are held by Lessor pursuant to the grant from the State of California, as determined by a court of competent jurisdiction, Lessor may terminate this Lease upon giving twelve (12) months written notice to Lessee of the details of the inconsistency and the basis therefor. If such inconsistency affects only a portion of the Premises, Lessor shall give Lessee notice of such inconsistency and Lessee shall have a reasonable time under the circumstances to turn that portion of the Premises into a consistent use; if Lessee does not do so, this Lease may be terminated upon such written notice only as to the portion of the Premises so affected and the Minimum Monthly Rental shall be abated in the proportion which Percentage Rental applicable to the portion of the Premises so affected payable hereunder for the full twelve (12) month period immediately preceding the month in which such notice is given bears to the total Percentage Rental payable hereunder for such twelve (12) month period.

7. Improvements To The Premises

7.1. Renovation of Existing Leasehold Improvements

(a) As a further and material part of the consideration for execution of this Lease, Lessee shall, at its sole cost and expense, complete the Initial Renovation as set forth herein.

(b) Lessee shall renovate all one hundred sixty-one (161) units, such renovation to include apartment interiors, building facades, interior and exterior common areas, landscaping, and hardscape, in accordance with the Renovation Plan attached hereto as

Exhibit C and incorporated herein. Lessee shall complete all exterior renovation within twenty-four (24) months of the date of mutual execution and delivery of this Lease, and shall complete interior renovations of at least eighty percent (80%) of the apartment units within thirty-six (36) months of the mutual execution and delivery of this Lease; provided, however, the forgoing timelines shall be extended for the period of delay, if any, resulting from the occurrence of Force Majeure. Lessee shall complete the renovation of the remaining twenty percent (20%) of the units within sixty (60) months of the mutual execution and delivery of this Lease; provided, however, said timeline shall be extended for the period of delay, if any, resulting from Force Majeure, or for delay caused by any tenant's instituting a legal challenge to his or her removal from the unit. Any failure by Lessee to complete the renovation according to this timetable shall constitute a breach of this Lease; upon written notice by Lessor of such a breach, Lessee shall have twenty (20) days to begin to cure the breach, and ninety (90) days to complete the cure. If Lessee fails to cure such breach, the Term of this Lease shall be automatically amended to expire on September 29, 2034 (but subject to Lessee's right to extend the Term for an additional five (5) years upon the same terms and conditions as contained in Article 26 of the Old Lease), but Lessor shall have no other remedies. Upon timely completion of all work required of Lessee hereunder, Lessor shall execute and record in form reasonably satisfactory to Lessee, an acknowledgment that such work has been timely completed, and that the provisions of this Paragraph 7.1 concerning an automatic amendment of the Term no longer apply.

(c) Lessee agrees to spend at least Four Million Dollars ($4,000,000.00) on "hard costs" with respect to such renovation, at least seventy percent (70%) of which shall be devoted to "value-added" improvements, as defined in **Exhibit D.** Such costs shall include certain costs incurred prior to execution of this Lease, as such costs are set forth on **Exhibit D.**

(d) All work required under the renovation program shall be subject to the approval of Lessor (which approval shall not be unreasonably withheld or delayed), and Lessee shall secure, at its own expense, all permits and other approvals required for said work, including all actions that may be required in order to comply with all requirements of CEQA and the California Coastal Act. Lessor hereby approves the work described in the Renovation Plan attached as **Exhibit C.**

7.2. Planning, Design and Construction of Additional Improvements

(a) If Lessee proposes to construct other improvements, alterations or modifications on the Premises during the Lease Term in addition to those specified in paragraph 7.1 above and those currently existing on the Premises, if any, Lessee shall first submit a written request for conceptual approval of such improvements by the Harbor Commission. The proposal shall include the proposed use and location thereof in relation to the particular portion of the Premises upon which Lessee proposes to construct such improvements. Concurrently therewith, Lessee shall pay Lessor a non-refundable processing fee which shall be reasonable under the circumstances in light of the size, complexity and expertise required to review such improvements. If required, following approval of the proposed improvements by the Harbor Commission and other required City of Redondo Beach offices (which approval shall be delivered in writing) Lessee shall apply promptly to the Coastal Commission for approval of the proposed improvements. Thereafter, the procedure for submission of designs, plans, drawings and other documents for the additional improvements shall be as Lessor shall time to time reasonably specify in writing as requested by Lessee.

(b) In addition to all submissions to be made and approvals to be obtained by Lessee as required in this Article, Lessee must secure, at Lessee's sole cost and expense, all necessary permits and approvals from any other governmental entities and agencies with jurisdiction over the planning, design and construction of any additional improvements. Any approval by Lessor of any under this Article or any other provision of this Lease is given solely in Lessor's capacity as a landlord, and shall not constitute approval by Lessor, in its capacity as a public agency, of an application for any building or other permit. In its review of any Plans submitted by Lessee, Lessor shall be guided by the provisions of this Lease as well as the Building Code, design, architectural and construction standards applicable to the Premises and in force by the Lessor. In the event of an inconsistency or conflict between the terms and provisions of this Lease, the Building Code of Lessor, and other applicable standards, the terms and provisions of this Lease shall control and supersede such standards; provided, however, as between the Lease and the Building Code, the one with the most strict provisions relating to the conflicting terms shall control and provided, further, nothing herein shall allow design or construction on the Premises inconsistent with applicable law, code and regulations.

(c) If Lessor rejects or requests modifications in any Plans, it will notify Lessee in writing of the reasons for such rejection or request. If Lessor requests Plan Revisions, Lessee shall have forty-five (45) days from the request by Lessor to submit such Plan Revisions. If Lessee fails to submit any Plan Revisions within the specified period, such failure will be deemed a withdrawal of Lessee's request for approval, and all processing thereof by Lessor shall cease. If any proposed renovations or plans are disapproved as provided herein, then an alternate proposal may be submitted by Lessee, which alternate proposal shall be handled in the same manner as the initial proposed renovations.

(d) If Lessee withdraws, or is deemed to have withdrawn, its request for any approval under this Article, or if this Lease is terminated pursuant to its terms while a request for approval hereunder is pending, Lessee shall immediately deliver to Lessor, at Lessee's sole cost and expense, copies of all tests, studies, inspections, plans, blueprints, reports, investigations, renderings and other documents and things made or prepared by or for Lessee in connection with the request for approval, all of which documents shall thereafter be and become the property of Lessor, subject to any ownership rights of the authors of the same. Lessee shall transfer to Lessor, or Lessor's nominee, all permits, licenses, and other approvals obtained by Lessee in connection with the proposed improvements on the Premises.

(e) The following shall apply to any request by Lessee for approval by the Harbor Director, whether for conceptual approval under sub-paragraph (a) or for approval of Plans under sub-paragraph (b). The Harbor Director's approval of any request for approval shall be deemed given if the Harbor Director fails to disapprove the request within thirty (30) calendar days of receipt of Lessee's written request; provided, however, that no such deemed approval shall be final unless, upon expiration of the thirty-day period, Lessee gives a second written notice, stating in boldface type that the thirty-day period has expired, and that approval will be deemed given hereunder if the Harbor Director thereafter fails to send written disapproval within fifteen (15) days after receipt of the second notice. If the Harbor Director gives written disapproval within the fifteen-day period, disapproval shall be deemed timely given and effective. If the Harbor Director fails to give written disapproval within the fifteen-day period, approval shall be deemed given.

(f) The provisions of this Paragraph 7.2 shall not apply to any alterations or improvements made by the Sublessee under the Chart House Sublease to the extent that such alterations or improvements do not require the consent of Lessee hereunder in its capacity as Lessor thereunder.

7.3. Utilities

(a) Lessee agrees that any utility company has the right, subject to Lessor's written approval, to place utility lines, cables, pipes, wires, poles, conduits, or ductwork where necessary, through or on the Premises in any manner which will not interfere with Lessee's and its Sublessees, concessionaires, licensees, tenants, customers and invitees use and enjoyment of the Premises. Lessee and Lessor shall each cooperate with the other in the prosecution or defense of any claims against or by any utility company related to the Premises.

(b) Lessee shall connect the utilities provided on or to the Premises to its facilities, and shall furnish, install and maintain, at its own expense, all necessary ducts, pipes, wires, cables, lines and conduits to service adequately its own installations and shall relocate at its cost and expense all existing utilities required to be relocated by reason of Lessee's development and operation of the Premises. All utilities shall be underground.

7.4. As-Built Plans and Substantial Compliance

Within ninety (90) days following completion of the construction of any improvements to or on the Premises required or permitted hereunder, Lessee shall furnish to Lessor a complete set of "as-built" plans depicting the improvements as constructed, which construction shall be in substantial compliance with approved working drawings.

7.5. Signs

Neither Lessee nor any of its Sublessees shall construct, maintain, or allow any sign upon the Premises except as approved by Lessor.

7.6. Capital Improvement Fund

Commencing no later than the second anniversary of the Commencement Date, Lessee shall create the Capital Improvement Fund, and thereafter shall deposit the required amount into such fund every month no later than the end of the succeeding month. Lessee shall furnish to Lessor an annual accounting of the Capital Improvement Fund no later than April 1 of each year. In addition, upon request of Lessor, Lessee shall provide Lessor with evidence of monthly deposits into the Capital Improvement Fund. The Capital Improvement Fund shall be fully expended for Permitted Capital Expenditures no later than ten (10) years prior to the termination of the Lease Term. The Capital Improvement Fund shall not be pledged to any third party, nor shall it be spent for any purposes other than Permitted Capital Expenditures.

8. Security

8.1. Security Deposit

(a) Lessee has deposited the Old Deposit with Lessor. Lessee shall deposit the New Deposit with Lessor on or before thirty days following the Commencement Date as additional security under this Lease. Together the Old Deposit and New Deposit shall equal Minimum Monthly Rental. Deposit shall be held by Lessor as a deposit to secure the performance of this Lease under Section 1950.7 of the California Civil Code. If at any time any of the rent or other sum payable by Lessee is overdue and unpaid, then Lessor may apply any portion of the Deposit to the payment of any such overdue rent or other sum. Upon any failure of Lessee to keep and perform all of the terms, covenants and conditions of this Lease, Lessor may apply all or part of the Deposit to compensate Lessor for all loss, cost, expense or damage sustained by Lessor due to such failure, including fees incurred on account of services rendered or work performed at the request of Lessor by independent accountants, attorneys and other consultants, or the value of services provided by employees of Lessor, Lessor's elected officials, in-house counsel, lease administrators and/or lease auditors.

(b) If Lessor applies all or part of the Deposit for the payment of overdue rent or other sums payable by Lessee, then Lessee shall, within five (5) days after Lessor's written demand, remit to Lessor a sufficient amount in cash to restore the Deposit to its original amount.

(c) If Lessee complies with all of its obligations hereunder and promptly pays all sums payable by Lessee hereunder, Lessor shall return the Deposit in full to Lessee at the expiration or other termination of this Lease. Notwithstanding the foregoing, Lessor may retain the Deposit for a reasonable time after expiration or other termination of this Lease as security for the surrender of the Premises by Lessee in substantially the same condition as when first occupied by Lessee, taking into account subsequent construction, maintenance, repair, alteration, modification and modernization as required or allowed by this Lease. Lessor may apply as much of the Deposit as may be necessary to compensate Lessor for Restoration. If Lessor wishes to charge Lessee for the costs of Restoration, Lessor shall reasonably detail said charges in writing to Lessee, or Lessor shall within sixty (60) days following termination pay Lessee the Deposit. If Restoration costs exceed the amount of the Deposit, Lessee shall, within thirty (30) calendar days after receiving a written statement therefor from Lessor, pay Lessor such amount as may be specified in the statement as being reasonably necessary to restore the Premise.

(d) Lessor is not a trustee of the Deposit and may commingle it, use it in the ordinary course of business, transfer, or assign it. No interest shall accrue on the Deposit for the benefit of Lessee.

(e) The Deposit specified under this Paragraph 8.1 may be increased upon increases in the Minimum Monthly Rent in order to maintain an equivalent proportional relationship between the total Deposit and the applicable Minimum Monthly Rent. If Lessor determines additional amounts are so required, Lessor shall give Lessee written notice of such determination. Lessee shall pay the additional deposit amount specified by Lessor within thirty (30) days after Lessee receives the notice.

8.2. Security for Compliance with Commencement, Development, and Completion of Construction of Required and Additional Improvements or Alterations on the Premises

(a) Lessee shall utilize a draw and payment process during construction of improvements of the Premises that is consistent with sound construction management processes and real estate lending under the circumstances, taking into consideration the cost, duration, size, complexity, scope and contractors working on the improvements, including utilization of conditional and unconditional lien releases. The draw and payment process shall be designed to protect the interests of Lessee and Lessor in the Premises, including from liens, and to complete the timely completion of the project. Satisfaction of the draw requirements of Lessee's lender shall be deemed compliance with the requirements of this sub-paragraph, provided such lender is an Institutional Lender.

(b) Unless expressly waived by written instrument signed by the Harbor Director and approved by the City Attorney for Lessor, if the construction involves Public Funding, Lessee shall provide to Lessor prior to commencement of construction of any improvements on the Premises either: (i) an unconditional written personal or corporate guaranty, in a form approved by and reasonably acceptable to Lessor, that the construction involving funding from a government or public entity will be completed as required (provided the identity and the net worth of the guarantor are acceptable to Lessor in its sole and absolute discretion); or (ii) a bond of a responsible surety company approved in advance by Lessor and licensed to do business in California, in an amount equal to one hundred percent (100%) of the cost of constructing the improvements. Lessor may eliminate or reduce the amount of the bond(s) if it is satisfied, within its reasonable discretion, that procedures are in place by Lessee to protect the interests of Lessor from liens being filed on the Premises and from Lessee's failure to complete the construction. If Lessee provides a bond, it shall remain in effect until the entire cost of the work has been paid in full and the improvements have been insured as provided in this Lease. The bond shall state that it is for the purpose of securing the completion of the proposed construction, free of all claims and liens of contractors, subcontractors, designers, mechanics, laborers and materialmen. The bond shall state that the construction work shall be effected by Lessee, its general contractor, or in the event of their default, by the surety. The bond shall also provide that the surety will defend and indemnify Lessor against all loss, cost, damages, expenses, and liability arising out of or connected with the construction of the improvements, including the cost of any professional, investigative, accounting, legal or other services which may reasonably be required by Lessor, plus the value of services provided by employees of Lessor, Lessor's elected officials, in-house counsel, lease administrators and/or lease auditors.

(c) Lessee shall, at all times, indemnify and hold Lessor harmless from all claims for design, labor or materials in connection with construction, repair, alteration or installation of structures, improvements, equipment or facilities within or on the Premises, and from the cost of defending against such claims, including attorneys' fees. Lessee shall carry, or assure that its contractor or contractors carry, statutory coverage in Workers' Compensation and Longshoremen and Harbor Workers' Insurance, as appropriate, to protect all workers employed by all contractors involved with the construction, renovation or modernization of any improvements on the Premises.

(d) If a lien is imposed on the Premises as a result of any construction, repair, alteration, or installation work on the Premises, Lessee shall procure and record a bond that frees the Premises from the claim of the lien and from any action brought to foreclose the lien. The bond shall be recorded within thirty (30) days after Lessee receives written notice of the filing of such a lien.

(e) The providing of security and insurance by Lessee under this Article shall not be construed to limit Lessee's liability or responsibility for completing construction of any required or additional improvements on the Premises, or to fulfill the indemnification provisions and requirements of this Lease. Notwithstanding the provision of any bond or guaranty, as between Lessor and Lessee, Lessee shall be obligated for the full and total cost of constructing required or additional improvements on the Premises and the full amount of any damage, injury, or loss, including all costs, expenses and attorneys' fees, caused by negligence or neglect arising out of any act or omission of Lessee, its agents, employees and Sublessees connected with this Lease or with the use or occupancy of the Premises and related to construction of said improvements.

8.3. Negation of Warranties, Lessee Waivers, Litigation Limitations and Stipulation

(a) The parties recognize and agree that this Lease, the development process contemplated by this Lease and the business operations Lessee proposes to conduct on the Premises pursuant to this Lease, contain elements of risk, especially with respect to permits, approvals and financing. Lessee acknowledges and agrees: (i) that this risk shall be borne by Lessee alone; (ii) that Lessor does not and cannot guarantee permits or approvals will he secured from all required agencies; and (iii) that Lessor does not warrant or guarantee financeable title, financing or feasibility, except for any specific agreements or commitments made by Lessor in this Lease and the fact that Lessor covenants and agrees that it will not voluntarily encumber or place any cloud on Lessee's title to the Premises.

(b) Lessee further covenants, acknowledges and agrees as follows:

(i) That Lessor is a charter city formed under and pursuant to the Government Code of the State of California. The powers and authority of Lessor to act are governed by the Government Code and other applicable laws and regulations of the State of California, including the City Charter, and other county and municipal laws and regulations. Lessee accepts this Lease, subject to the terms and provisions of such Code and such other applicable laws and regulations now existing or hereafter enacted, and as they may be amended from time to time.

(ii) That the Premises are within the coastal zone and subject to the California Coastal Act, that any proposed further development of the Premises is subject to compliance with CEQA and the California Coastal Act and that this Lease is subject to the grant of tidelands from the State of California to Lessor as set forth above.

(iii) That, in the event of a breach of this Lease by Lessor, the remedy of Lessee shall be limited to an action at law for damages actually and demonstrably incurred by Lessee by reason of said breach. In the event of such a breach by Lessor, Lessee waives all right to claim any interest in the Premises in any judicial proceeding, including but not limited to a claim for specific performance, quiet title, declaratory relief, equitable lien or constructive trust.

9. Repair and Maintenance by Lessee

9.1 Normal Repairs

Except for Lessor's obligations to maintain and repair as stated in Paragraph 10.1 below, Lessee shall, at its sole cost and expense, maintain the Premises and all improvements of whatever kind that may be now or hereafter erected, installed or otherwise made thereon, including, without limitation, any riveted slopes, bulkheads, breakwaters, quaywalls, moles, piers, wharves, pilings or docks within or underlying improvements located within and associated with the use and occupancy of the Premises, in First Class Condition and Repair and in accordance with all applicable laws, rules, ordinances, orders and regulations relating to any part of the Premises or the improvements thereon, and shall make all necessary repairs and alterations thereto. Notwithstanding the foregoing, the portion of the Premises subject to the Chart House Sublease shall be maintained in the condition required thereunder. Lessee further shall provide proper containers for trash and garbage and keep the Premises at all times free and clear of rubbish, debris and litter. If Lessee receives written notice from Lessor of any deficiencies in Lessee's maintenance of the improvements on the Premises, and Lessee fails to cure such deficiencies within thirty (30) days thereafter (or, if any such deficiency is of such a nature that it cannot be cured within thirty (30) days, such additional time as is reasonably necessary to cure such deficiency so long as the cure thereof is commenced with such thirty (30) day period and thereafter diligently pursued to completion), Lessee shall pay Lessor the sum of One Hundred Dollars ($100.00) per day (for each date after the expiration of the applicable notice and cure period) for each separate item for so long as the deficiencies remain uncured. Lessor may deduct such amounts from the Deposit, and Lessee shall be obligated to restore the Deposit to its full amount. Such payment shall not be deemed to cure the default, and Lessor shall have all other rights and remedies with respect thereto. If the deficiencies described in Lessor's notice concern the portion of the Premises subject to the Chart House Sublease, then Lessor shall send a copy of the notice to the Sublessee operating the Chart House Improvements, at the address set forth in the notice provisions below; the notice to Lessee shall be deemed effective only if Lessor has sent such notice to the Chart House Sublessee. If Lessee gives written notice that it disputes the Lessor's position, the parties shall arbitrate the dispute in Los Angeles County at Judicial Arbitration and Mediation Service, pursuant to its arbitration rules and procedures then in effect. Lessee shall not be considered in default while such arbitration is in process, and the daily payment referred to herein shall not apply until after a final determination by the arbitrator, and then only for the period after such determination.

9.2. Ongoing Maintenance and Renovation Fund

(a) Lessee shall contract with a licensed and insured structural engineer (to be approved by the City Engineer or the City Manager's designee, which approval shall not be unreasonably withheld) every five years during the Lease Term to perform a complete seismic and structural review of the improvements and to determine any work necessary to maintain the structural integrity of the improvements. Lessee shall promptly perform any work specified by such engineer in writing, which work shall qualify as Permitted Capital Improvements.

(b) Commencing with the beginning of the sixth year of the Lease Term, Lessee shall create the Renovation Fund. Lessee shall furnish to Lessor an annual accounting of the Renovation Fund no later than January 15 of each year. The Renovation Fund shall be fully expended for Permitted Subsequent Renovations no sooner than thirty (30) years and no later than twenty-five (25) years prior to the termination date of the Lease Term, at which time Lessee's obligation to continue funding the Renovation Fund shall cease. The Harbor Director's approval of any renovations proposed by Lessee shall be deemed given or withheld according to the same procedure for notice set forth in paragraph 7.2(e). If the Harbor Director disapproves any renovations proposed by Lessee, the Harbor Director shall provide a written explanation in reasonable detail of its reasons for disapproval. If the Harbor Director disapproves the proposed renovations and fails to provide such explanation within the ten (10) business day period, the Harbor Director shall be deemed to have approved the same. If any proposed renovations are disapproved as provided herein, then an alternate proposal may be submitted by Lessee, which alternate proposal shall be handled in the same manner as the initial proposed renovations. The Renovation Fund may be used for Permitted Subsequent Renovations performed at any time following the completion of the initial renovation work described in Section 7.1 above.

(c) If there are any disputes between Lessee, Lessor and/or the Harbor Director as to what constitutes a Permitted Subsequent Renovation in any particular case, then the dispute shall be resolved by a third party architect either (1) mutually selected by Lessee and the Harbor Director, which selection shall be made within five (5) days after either Lessee's or the Harbor Director's written notice of election to initiate such resolution, whose opinion shall be provided within five (5) days of the architect's selection, or (2) if Lessee and the Harbor Director cannot agree on a single third party architect within twenty (20) days of said receipt of the resolution election notice, then each shall designate an architect in writing within twenty (20) days following said receipt of the resolution election notice, and the two (2) architects so designated shall mutually select a third disinterested architect to resolve the dispute and whose opinion shall be provided within five (5) days of the third architect's selection. If clause (2) immediately above applies and a party fails to designate an architect in writing within the applicable twenty (20) day period, then the single architect designated by the other party in writing shall resolve the dispute.

10. Maintenance and Repair by Lessor

10.1. Lessor's Right of Entry for Purposes of Repair

(a) Lessor covenants and agrees to keep in proper maintenance and repair the Harbor Master's storage area located on the Premises and all bulkheads, seawalls and quaywalls situated in the Redondo Beach King Harbor which, if not properly maintained, would have an adverse impact on the Premises, gross receipts or gross sales of Lessee. Lessor shall keep all sidewalks adjacent to such bulkheads, seawalls, and quaywalls in the Redondo Beach King Harbor in proper maintenance and repair at all times. Lessor shall perform, at its sole cost and expense, any and all dredging required in the Redondo Beach King Harbor. If, in Lessor's opinion, it ever becomes necessary for the safety of the Harbor to extend any bulkhead, mole or quaywall, Lessor shall have the right to do so at its sole cost and expense. All maintenance, repair and other work by or on behalf of Lessor required or permitted under this paragraph shall be undertaken, using best efforts, in a manner so as to reasonably minimize the negative impacts of the same upon the Premises, Lessee, Lessee's guests, marina tenants, subtenants and invitees.

(b) Except as stated in the preceding paragraph, Lessor shall not be required to maintain or repair any improvements or facilities on the Premises. Lessor may enter upon the Premises, or any portion thereof, from time to time, for the purpose of inspecting, establishing, extending, repairing or rebuilding a seawall, quaywall, pier, wharf, pilings, bulkhead, breakwater or mole, or conducting dredging operations, or to inspect and/or cure an actual or suspected breach of this Lease by Lessee that reasonably requires entry upon the Premises. In so doing, Lessor shall use reasonable efforts to minimize disruption to Lessee and its Sublessees. Lessor shall not be liable to Lessee, or its Sublessees, or any person or entity claiming through Lessee or its Sublessees, or to the occupant of any portion of the Premises for any loss, damage or harm arising out of Lessor's exercise of the rights reserved herein except to the extent the same is due to the willful misconduct or gross negligence of Lessor, its agents, contractors and employees. Except for damages arising from the willful misconduct or gross negligence of Lessor, its agents, contractors or employees, neither Lessee nor any Sublessees or other person claiming under or through Lessee, shall be entitled to any consequential damages arising therefrom.

(c) If Lessee fails to make repairs or replacements as required in this Lease, Lessor may notify Lessee of the failure in writing. If Lessee fails to make the repairs or replacements within a reasonable time thereafter, as established by Lessor, Lessor may make such repairs and replacements at Lessee's expense. Lessee shall reimburse Lessor for the costs thereof within ten (10) days after Lessor's notice specifying such costs. Such costs may include, without limitation, the cost of design, labor, material, equipment, the value of services provided by employees of Lessor, its officers, elected officials, in-house counsel and lease administrators, and the cost of professional services such as attorneys, accountants, contractors and other consultants as may be reasonably incurred or paid by Lessor. Lessor, at its option, may commit all or part of the Security Deposit to cover the cost of making such repairs and replacements. If Lessor makes such repairs or replacements, Lessee shall indemnify and hold Lessor harmless from and against all claims, demands, loss or liability of any kind arising out of or connected in any way with such work, including, but not limited to claims by Lessee, its officers, employees, agents, Sublessees and the patrons or visitors of Lessee or its Sublessees. Notwithstanding the foregoing, Lessor shall not have the right to enter the portion of the Premises subject to the Chart House Sublease if Lessee does not have the right to do so in its capacity as Lessor thereunder.

10.2. Limitations on Lessor's Obligation to Repair

Except for Lessor's obligations as stated in Paragraph 10.1 (a) above, Lessor shall have no duty, obligation or liability to care for or maintain the Premises. If, by any express provision of this Lease, Lessor agrees to care for or maintain the whole or any part of the Premises, such agreement on the part of Lessor shall constitute a covenant only, and no obligation or liability whatsoever shall exist on the part of Lessor to Lessee by reason thereof unless Lessor fails to commence performance of such obligation with reasonable diligence after receipt of a written notice from Lessee, specifying (a) the provisions of this Lease under which such duty is claimed to exist on the part of Lessor, and (b) the facts that require the performance of such duty. In such event, Lessee may perform any work necessary to remedy the problem if there is imminent danger of personal injury or material property damage, but Lessor's liability shall be limited to the reasonable costs and expenses of performing such work, which shall be reimbursed by Lessor to Lessee within thirty (30) days following Lessee's written request therefor accompanied by supporting documentation. Neither Lessee nor its Sublessees, nor any person claiming under or through Lessee, shall be entitled to consequential damages arising from any obligation under this section except to the extent the same is due to the willful misconduct or gross negligence of Lessor, its agents, contractors and employees.

11. Surrender of Premises

11.1. Lessee's Obligation to Surrender upon Expiration of Lease Term or upon Termination

Upon the expiration of the Lease Term, or any sooner termination of this Lease, Lessee shall surrender the Premises to Lessor along with any Improvements. Lessee shall surrender the Premises in the condition required under Paragraph 8.1 (c) above. Upon such expiration or sooner termination of the Lease Term, the title to all of the Improvements shall automatically vest in Lessor and shall become the absolute property of Lessor without cost or expense to Lessor. Lessee agrees to execute any and all documents necessary to transfer title to the Improvements to Lessor and hereby appoints Lessor as its attorney-in-fact to execute such documents on its behalf.

11.2. Ownership of Trade Fixtures upon Expiration or Termination

All trade fixtures owned or installed in or about the Premises by Lessee or its Sublessees may, at the option of Lessee or its Sublessees, be removed within thirty (30) days following the expiration or termination of this Lease, whichever occurs first; provided, however, that Lessee shall pay Lessor a sum of money equal to one and one-half times the Minimum Monthly Rental in effect at the expiration or termination of this Lease for the thirty (30) day period, and Lessee shall repair any damage to the Premises resulting from such removal. The free and unencumbered title to all trade fixtures located in or about the Premises not so removed within the thirty (30) day period shall automatically vest in Lessor and become the absolute property of Lessor without cost or expense to Lessor. In such event, Lessee agrees to execute and deliver, or cause to be executed and delivered, any and all documents necessary to transfer title to such trade fixtures to Lessor free and clear of all encumbrances and hereby appoints Lessor as its attorney-in-fact to execute said documents on its behalf.

12. Title and Warranties; Lease Conditions

12.1. Disclaimer of Warranties

Lessee acknowledges that the Premises are subject to trusts, covenants, conditions, easements and restrictions of record. Lessor warrants that it has the authority to lease the Premises to Lessee in accordance with the terms of this Lease for uses not inconsistent with the trusts under which the Premises are held by Lessor pursuant to the California Coastal Act of 1976 and other grants from the State of California and the public trust. Copies of the relevant trusts are attached hereto as **<u>Exhibit E</u>.** Lessor and Lessee agree and acknowledge that no warranties, covenants, promises or representations as to the title, possession or use of the Premises are made by Lessor in this Lease, or in any other form or manner, except as provided in this Article. It is expressly agreed and understood that notwithstanding any provision in this Lease to the contrary, if the tenancy hereunder is or becomes inconsistent with the trusts under which the Premises are held by Lessor pursuant to the grants from the State of California, the rights and obligations of the parties will be governed solely and exclusively by the provisions of Paragraph 6.3 and 6.4, above. Notwithstanding the foregoing, Lessor shall not mortgage or otherwise encumber its interest in the Premises in such a way as to preclude or hinder Lessee from obtaining leasehold mortgages as provided in Article 13 above.

12.2. Lessee's Quiet Possession

Except as specifically provided herein, if Lessee performs and observes all of the covenants and conditions on its part to be performed hereunder, including payment of all sums payable to Lessor or others by Lessee, Lessor shall secure to Lessee during the Lease Term, the quiet and peaceful possession of the Premises against all persons. Lessor shall, upon acquiring actual knowledge of the claims of any such person, which claims disturb or interfere with the quiet, peaceful and lawful possession of the Premises by Lessee, at Lessor's own cost and expense and with reasonable diligence, file such proceedings and take such actions as may be reasonably necessary to remove the claim of' such person and the actual interference and disturbance thereby with the quiet, peaceful and lawful possession by Lessee; but aside therefrom, neither Lessee nor its Sublessees, nor any other person claiming under or through Lessee, shall have any claim against Lessor for any damages, whether consequential, incidental or compensatory, nor shall Lessee be released or discharged from any of its obligations, liabilities, or indebtedness hereunder unless and until Lessee is legally, actually, and physically (as distinguished from constructively) evicted from the Premises by such person or persons.

12.3. Lessee Acknowledgments and Waiver

Lessee acknowledges that from time to time during the term of the Lease, and at such times and intervals as may be determined by Lessor in its sole discretion, construction, rehabilitation, replacement, repair and restoration activities may be conducted by or under the authority of Lessor within the Harbor Area. Lessee acknowledges that such activities and related operations, including the staging, storage and docking activities on other parcels in and around the Harbor Area are necessary and for the benefit of Lessee, its Sublessees, other lessees and the public, and that the conduct of such activities shall not be deemed to have disturbed or interfered with the possession and use of the Premises by Lessee or its Sublessees, or anyone claiming under Lessee or its Sublessees, or to have caused Lessee or its Sublessees to be evicted, either actually or constructively, from the Premises, and shall, under no circumstances, entitle Lessee, its Sublessees or others claiming under or through Lessee or any Subtenant, to claim or recover incidental or consequential damages from Lessor on account of such activities.

12.4. Lease Conditions

Notwithstanding anything to the contrary contained in this Article 12 or other provisions of this Lease, the occurrence of the following shall be a condition to Lessee's obligations under this Lease (collectively, "Lease Conditions"): (i) First American Title Insurance Company ("Title Company") is, as of the Commencement Date under this Lease, irrevocably committed to issue to Lessee an ALTA extended coverage policy of insurance, with a coverage amount of no less than Thirty-Two Million One Hundred Thousand Dollars ($32,100,000.00), insuring that Lessee holds a leasehold interest in and to the Premises pursuant to the terms of this Lease, with only the Schedules, Exceptions, and Endorsements contained in the Policy of Title Insurance prepared by Title Company for the Premises dated May 18, 2004, a copy of which is attached hereto as **Exhibit F**; (ii) Wells Fargo Bank, National Association ("Existing Lender"), shall have reconveyed the lien of that certain Construction Deed Of Trust With Absolute Assignment of Leases And Rents, Security Agreement And Fixture Filing dated May 3, 2004 and recorded May 18, 2004 as Instrument No. 04-1258827 in the Official Records of the County of Los Angeles, California ("Official Records"), and shall have recorded in the Official Records a new deed of trust encumbering Lessee's leasehold interest under this Lease; and (iii) Lessor shall have executed, acknowledged and delivered to Existing Lender for recordation in the Official Records a Landlord Consent in the form of **Exhibit G** attached hereto. If any of the Lease Conditions have not been satisfied within thirty (30) days after the Commencement Date, then Lessee shall have the right to terminate this Lease by written notice to Lessor, in which event the Old Lease shall remain in full force and effect and Lessor shall promptly return to Lessee the New Deposit and any portion of the Execution Payment theretofore paid to Lessor.

13. Encumbrance of Leasehold

13.1 Lessee's Right to Encumber To Finance Construction of Additional Improvements or Renovation Program

(a) Lessee shall, subject to the terms and provisions of this Article, have the right to subject Lessee's leasehold estate in the Premises, and any and all of Lessee's improvements on the Premises, to one or more mortgages as security for a loan or loans from an Institutional Lender, subject to Paragraph 13.2 below; provided among other things, that:

(i) The mortgage, all related documents and instruments and all rights acquired under the mortgage documents shall be subject and subordinate to the covenants, conditions and restrictions set forth in this Lease and to all rights and interests of Lessor, except as may be expressly provided in this Lease;

(ii) The mortgage shall not be placed upon or encumber the tide or submerged lands or the fee simple title to the Premises;

(iii) The amount of indebtedness secured by the proposed mortgage, plus the amount of indebtedness secured by all other approved mortgages, if any, encumbering Lessee's interest in the Premises, shall not exceed eighty percent (80%) of the Fair Market Value of Lessee's interest in this Lease and the improvements on the Premises, and Lessee's projections of net operating income derived from all operations conducted on or from the Premises for the next five (5) calendar years of the Lease Term shall be in excess of one hundred twenty-five percent (125%) of all debt service (including all costs and expenses related to the debt service) payable by Lessee during such calendar year for all mortgages encumbering Lessee's interest in this Lease, and the improvements on the Premises. For purposes of this subparagraph (iii), the Fair Market Value of Lessee's interest in this Lease and the improvements on the Premises, shall be determined by an appraiser selected by Lessee and subject to the reasonable approval of Lessor, and who shall be a member in good standing of the American Institute of Real Estate Appraisers holding an M.A. I. designation and be primarily engaged in the business or occupation of appraising or evaluating business real property and improvements. All costs and fees of obtaining such market value determination shall be at Lessee's sole expense;

(iv) The mortgage shall encumber only Lessee's interest in the improvements on the Premises and Lessee's interest in this Lease and no other real property, provided, however, that nothing in this Lease shall prohibit the Lender from taking a security interest (by assignment or otherwise) in Lessee's interest as sublessor in any sublease of any portion of the Premises;

(v) The mortgage shall not be cross-defaulted with agreements relating to other property or transactions;

(vi) The mortgage shall expressly provide that it shall not be modified or otherwise revised without the prior written consent of Lessor (which consent shall not be unreasonably withheld, conditioned or delayed), if the cumulative effect of the modifications not consented to by Lessor increases the loan amount to more than 105% of the face amount of the loan secured by the mortgage or increases the interest rate by more than 2% per annum;

(vii) The mortgage shall not, by its terms or effect, be used to transfer ownership of this Lease or Lessee's interest herein, or in the improvements on the Premises (except a security interest therein) or to change control of Lessee, except in connection with the exercise of Lender's rights and remedies under any applicable security instrument; and

(viii) The mortgage shall state that:

(A) the terms and provisions of this Lease shall prevail, govern and control in any instance where an inconsistency or conflict exists between the terms and provisions of this Lease and the terms and provisions of any mortgage document;

(B) any proceeds from fire or extended coverage insurance shall first be used for the repair, rebuilding, restoration or reconstruction of improvements on the Premises and only the remaining proceeds, if any, may then be used to repay any part of the outstanding indebtedness secured by the mortgage;

(C) should the encumbrance holder or any successor-in-interest to it, succeed to the interests of Lessee in the Premises or under this Lease by any means or proceedings whatsoever, and regardless of whether or not the encumbrance holder actually enters into and takes possession of the Premises, then the encumbrance holder shall be obligated to keep and perform all of the covenants and conditions of this Lease required to be kept and performed by Lessee, but only during the period that the encumbrance holder is the holder of the leasehold estate; and

(D) the encumbrance holder, regardless of whether or not a request for notice shall have been recorded by Lessor, shall give Lessor written notice of any default under the mortgage and related documents, which notice shall be given within twenty (20) calendar days after the encumbrance holder declares an event of default or otherwise commences the exercise of its rights and remedies under the applicable security instrument. Notwithstanding the requirements of this subparagraph, Lessor agrees to consider acceptance of alternate methods of compliance with this provision, provided the effect of such alternate methods achieve the same legal effect as it relates to Lessor's rights and requirements under the Lease.

(b) For purposes of this Article, the extension or renewal of existing financing that increases the loan amount to more than 105% of the face amount of the note secured by the mortgage, unless explicitly provided for in the original financing documents or this Lease, shall be considered a new loan or encumbrance, subject to all criteria set forth in this Article and Lessor's approval thereof pursuant to the provisions hereof. In such event, Lessor shall have the right to require that Lessee invest additional capital and equity to bring the loan or encumbrance within the debt service coverage standards set forth in subparagraph (iii) of paragraph (a).

(c) Whenever the words "mortgage", "deed of trust" or "encumbrance" appear herein, the words "security instrument" may be substituted in their place.

13.2. Lessor's Approval of Encumbrance and Processing Fee

Prior to the making of any such lien or encumbrance under Paragraph 13.1 above, Lessee shall submit to Lessor the proposed terms and conditions of the loan, setting forth the total amount thereof, the interest rate, the payment schedules and a description of the security for repayment, and shall obtain the consent of Lessor for such encumbrance, which consent may not be unreasonably withheld, conditioned or delayed. Any such encumbrance without Lessor's consent shall be immediately void and shall constitute a default hereunder. A non-refundable fee, which shall be reasonable under the circumstances in light of the size, nature, complexity and expertise required to review said proposed encumbrance, shall be paid by Lessee to Lessor for processing each request for consent to such mortgage or encumbrance submitted to Lessor. Such fee shall be paid concurrently with the initial submission of encumbrance documents and loan information, is deemed earned by Lessor when paid, and shall not be refundable, Lessee acknowledges that Lessor may deny approval of any encumbrance if Lessee or any of its successors or assigns is then in default of any obligation under this Lease or if, Lessee is not in compliance with Paragraph 13.1 above. Lessee shall provide and make available to Lessor all documents and information related to its operations, past and/or contemplated business activities and other information which Lessor may request and reasonably require in order to determine the commercial reasonableness of the proposed encumbrance. Lessor's consent to any such encumbrance or mortgage shall not be deemed to be, or construed as, Lessor's consent to any other encumbrance or mortgage, regardless of whether such other encumbrance is secured in whole or in part by the same collateral or property interests as an encumbrance or mortgage to which Lessor has previously consented. Lessee's existing financing from Wells Fargo Bank, as evidenced by a promissory note dated May 3, 2004, is deemed approved hereunder.

13.3. Lessee's Right to Refinance

During the Lease Term and provided Lessee is not in default under the Lease and provided Lessee complies with paragraphs 13.1 and 13.2 above and Article 18 below in regard to Appreciation Rent, if applicable, but only with Lessor's prior written consent, Lessee may refinance the existing debt structure secured by Lessee's leasehold estate under this Lease, or any portion thereof (including interests of Lessee as sublessor under any sublease of a portion of the Premises), and/or Lessee's interest in improvements on the Premises, or any portion thereof. Lessor shall not unreasonably withhold, condition or delay its consent to any such refinancing and such approval shall be in writing.

13.4. Rights of the Encumbrance Holder

(a) Nothing contained in this Lease shall be deemed to preclude the transfer of this Lease without the consent of Lessor as a result of a judicial foreclosure or a foreclosure through the exercise of a power of sale under any deed of trust or mortgage executed to obtain financing referred to in this Article 13, or by a deed in lieu thereof, or any subsequent transfer by the Lender subject to the requirements hereof, if:

(i) the Lender is the purchaser at such foreclosure sale;

(ii) the Lender is an Institutional Lender at the time it succeeds to Lessee's interests under this Lease; or

(iii) the transfer by the Lender is approved in writing by Lessor.

(b) If the Lender purchases Lessee's interest in the Premises under this Lease at a foreclosure sale or acquires such interest by a deed in lieu thereof, the Lender shall promptly cure all defaults then existing under this Lease which are not personal to Lessee, e.g. bankruptcy of Lessee, including maintaining the Deposit, and until Lender transfers Lessee's interest in this Lease, shall thereafter comply with all of the terms and conditions of this Lease during the period the Lender, or a receiver appointed at its instance and request, is in possession, or entitled to possession, of the Premises, or retains the leasehold interest so acquired. If the Lender is an Institutional Lender at the time it acquires Lessee's interest in the Premises under this Lease, or acquires its interest in the Premises through a wholly-owned subsidiary, and certifies to Lessor in writing at the time it proposes to make a transfer of its interest in the Premises, that it is an Institutional Lender or the entity acquiring the interest is a wholly-owned subsidiary of an Institutional Lender, as defined herein and, provided further, that the Lease is not then in default (other than defects which are personal to Lessee), the Lender may transfer the leasehold interest so acquired to a third party. However, as a condition of such transfer, the transferee shall assume and expressly agree in a writing in a form acceptable to Lessor to be bound by all of the terms, covenants, conditions and agreements of this Lease and, contemporaneously with said transfer, the transferee shall execute and deliver to Lessor an unconditional lease assumption agreement in a form reasonably acceptable to Lessor.

(c) If the purchaser at foreclosure or entity that acquires the interest in the Lease by means of a deed-in-lieu of foreclosure or similar type of assignment is not either (i) an Institutional Lender or (ii) a wholly-owned subsidiary of an Institutional Lender , then no such subsequent transfer by the purchaser can be made without obtaining the prior written consent of Lessor pursuant to the terms and provisions of Article 15 below. In the event of any transfer, and in addition to the requirements of paragraph (b), above, the transferor shall immediately give written notice to Lessor of such transfer, including the name and address of the transferee and the effective date of such transfer.

(d) Notwithstanding any provision of this Lease to the contrary, Lessor agrees that it will not terminate this Lease because of any default or breach thereunder on the part of Lessee, if the Lender, within thirty (30) days after service of written notice from Lessor of its intention to terminate this Lease for such default or breach (or within sixty (60) days after receipt by the Lender of written notice from Lessor stating that Lessee has commenced curing said default but is not diligently prosecuting the same to completion) shall cure such default or breach and thereafter keep and perform all of the covenants and conditions of this Lease provided herein to be kept and performed by Lessee. In the event that the cure requires Lender to obtain a receiver and Lender otherwise cures any default related to non-payment of rent, Lender's time to cure shall not expire until sixty (60) days after the appointment of the receiver, provided the Lender has instituted judicial proceedings required for the appointment of a receiver and is diligently pursuing same.

(e) If the breach or default is not curable, or if there are multiple defaults, some being curable and some not (in which case the Lender shall cure the curable defaults within sixty (60) days), the Lender, within said sixty (60) day period, shall commence and thereafter diligently pursue to completion proceedings for the foreclosure and sale under and pursuant to the terms of its encumbrance, which shall be accomplished within one hundred eighty (180) days or such longer period as may be required for Lender to obtain an order of sale or other judicial remedy, including but not limited to relief from a stay under the Bankruptcy Code, in order to permit under applicable law the foreclosure or sale (the "Foreclosure Period"), after service of written notice by Lessor of its intention to terminate this Lease. The actions required under the preceding sentence may include, but are not limited to the initiation and prosecution of proceedings under the Bankruptcy Code, 11 USC §§101 et seq., to lift any stay or other order which may be in effect. During the Foreclosure Period, the Lender shall perform all of Lessee's obligations required under the Lease.

(f) Notwithstanding any provisions of this Lease to the contrary, Lessor further agrees that it will not terminate this Lease because of any default or breach by Lessee specified in Article 16 below, if, prior to expiration of the Foreclosure Period, the Lender gives written notice to Lessor agreeing to cure all curable defaults under this Lease as defined in paragraph (d) of this Paragraph 13.4, and expressly assuming all obligations of Lessee under this Lease during such period that the Lender or the Lender's designee, or a receiver appointed at its instance and request, shall be in possession or entitled to possession of the Premises. If the Lender fails or refuses to comply with any or all of the terms of this subparagraph, Lessor shall be released from the covenants of forbearance contained herein.

(g) If the event a "First Encumbrance Holder" as defined herein succeeds to all interests of Lessee under this Lease and, within thirty (30) days thereafter gives Lessor written notice of its request to enter into a new lease covering the Premises as lessee on the same terms and conditions as provided in this Lease, Lessor shall execute and deliver a new lease to the First Encumbrance Holder as lessee for the remainder the Lease Term hereunder provided the First Encumbrance Holder shall have:

(i) paid to Lessor all rent and other charges due under this Lease, up to and including the date of the commencement of the term of such new lease, together with all reasonable expenses incurred by Lessor in connection with the request for and negotiation of the new lease (including without limitation reasonable administrative, financial, economic, accounting and/or legal costs and fees and the reasonable value of services provided by Lessor's employees, elected officials, in-house counsel, lease administrators and/or lease auditors);

(ii) cured or commenced to cure any and all other defaults under this Lease; and

(iii) executed and delivered to Lessor a lease assumption agreement as would be required of an assignee of Lessee's interest under this Lease pursuant to the terms hereof.

The First Encumbrance Holder shall not be required to cure any default or event of default under this Lease, which is exclusively personal to Lessee and which no encumbrance holder has the power to cure (such as, for example, the bankruptcy of Lessee), as a prerequisite to the exercise of the rights to a new lease provided herein. The term "First Encumbrance Holder" as used in this Paragraph 13.4 shall mean the Lender demonstrated to Lessor's reasonable satisfaction to be holding the most senior lien on the interest of Lessee under this Lease, or any portion thereof, as consolidated, renewed, extended, modified or replaced from time to time. As of the date of this Lease, Lessor acknowledges and agrees that Wells Fargo Bank is the First Encumbrance Holder. Lessor shall have no obligation whatsoever to offer a new lease to any Lender other than a First Encumbrance Holder, and if for any reason the First Encumbrance Holder fails to request or to sign a new lease within thirty (30) days after Lessor's delivery of the new lease as executed by Lessor pursuant to the terms hereof, Lessor shall have no further obligations to enter into or offer a new lease pursuant to this subparagraph.

(h) Any notice to the Lender provided for in this Lease may be given contemporaneously with any notice to Lessee.

(i) Nothing herein contained shall be deemed to impose any obligation on the part of the Lessor to deliver physical possession of the Premises or any part thereof to any Lender, or any successor thereto, provided, however, that if Lessor is fully indemnified therefor by such Lender to Lessor's satisfaction (including without limitation indemnification for reasonable attorneys' fees), Lessor shall cooperate with such Lender (by joining as a party in any appropriate action or proceeding, or otherwise) at the sole cost and expense of such Lender, and at no cost, expense, risk or liability to Lessor, for the purpose of enabling such Lender to obtain possession of the Premises,

(j) Any such new lease, and the leasehold estate thereby created, are intended to continue to maintain the same priority as this Lease, with regard to any encumbrance or mortgage on the Premises, or any part thereof, or any other lien, charge or encumbrance thereon caused or made by the Lessor whether or not the same shall then be in existence; provided, however, that although the provisions of this sentence are intended to be self executing, Lessor shall not be obligated to expend any funds or take any other action to accomplish or obtain such priority for any such new lease or leasehold estate.

(k) Lessee shall be deemed to have agreed to apply the rents, issues and profits of the Premises to fulfill Lessee's obligations under this Lease before applying them for any other purpose.

(l) There shall be no cancellation, surrender or modification of this Lease by Joint action of Lessor and Lessee without the prior consent in writing of any First Encumbrance Holder (which consent shall not be unreasonably withheld, conditioned or delayed), nor shall any election, determination or waiver by Lessee (whether through action or inaction) that materially impairs the value of the Leasehold be effective without the prior written consent of any First Encumbrance Holder (which consent shall not be unreasonably withheld, conditioned or delayed).

(m) Lessor shall, upon serving Lessee with any notice pursuant to the provisions of this Lease, simultaneously serve a copy of the notice upon any First Encumbrance Holder. No notice by Lessor to Lessee under this Lease shall be deemed to have been served unless and until a copy thereof shall have been served upon any First Encumbrance Holder as set forth herein.

(n) Any leasehold mortgagee shall have the right, but not the obligation, at any time prior to termination of this Lease and without payment of any penalty, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes or assessments, to make any repairs or improvements, to do any other act or thing required by Lessee under this Lease, and to do any act or thing which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions to prevent termination of this Lease. Any leasehold mortgagee and its agents and contractors shall have full access to the Premises for purposes of accomplishing any of the foregoing. Any of the foregoing done by any leasehold mortgagee shall be as effective to prevent a termination of this Lease as the same would have been if done by Lessee.

(o) Lessor agrees that the name of the First Encumbrance Holder may be added to the "Loss Payable Endorsement" of any and all insurance policies required to be carried by Lessee under this Lease on condition that the insurance proceeds are to be applied in the manner specified in this Lease.

(p) Lessor agrees that, in the event of termination of this Lease for any reason (including without limitation by reason of any default by lessee or by reason of the disaffirmance thereof by a receiver, liquidator or trustee for Lessee or its property), Lessor, if requested by any First Encumbrance Holder will enter into a new lease of the Premises, which new lease shall commence as of the date of termination of this Lease and shall run for the remainder of this Lease term, at the same rent and additional rent and upon the same terms, provisions, covenants and agreements, and subject to the rights, if any, of any parties then in possession of any part of the Premises, provided:

(i) The First Encumbrance Holder shall make written request upon Lessor for the new lease within 30 days after the date of termination;

(ii) The First Encumbrance Holder shall pay to Lessor at the time of the execution and delivery of the new lease any and all sums which would, at the time of the execution and delivery thereof, be due and unpaid pursuant to this Lease but for its termination (other than the payment of any amount that was secured by a lien on the Leasehold that was junior to such mortgage), and in addition thereto any expenses, including reasonable attorneys' fees, to which Lessor shall have been subjected by reason of Lessee's default;

(iii) The First Encumbrance Holder shall perform and observe all covenants in this Lease to be performed and observed by Lessee, and shall further remedy any other conditions which Lessee under the terminated Lease was obligated to perform under its terms, to the extent the same are curable or may be performed by the leasehold mortgagee;

(iv) The new lease shall be expressly made subject to the rights, if any, of Lessee under the terminated Lease;

(v) The Lessee under the new lease shall have the same right, title and interest in and to the buildings and improvements on the Premises as Lessee had under the terminated Lease immediately prior to its termination;

(vi) The First Encumbrance Holder shall pay to Landlord all reasonable attorneys' fees incurred by landlord required to negotiate, prepare, review and/or effectuate the new lease.

(q) Notwithstanding anything to the contrary expressed or implied in this Lease, any new lease made pursuant to subparagraph (g) above, shall be prior to any mortgage, deed of trust, or other lien, charge, or encumbrance on the fee of the Premises, and shall be accompanied by a conveyance of title to the improvements (free of any mortgage, deed of trust, lien, charge, or encumbrance created by Lessor) for a term of years equal to the term of the new lease, subject to the reversion in favor of Lessor upon expiration or sooner termination of the new lease.

(r) Nothing herein contained shall require First Encumbrance Holder to enter into a new lease pursuant to subparagraph (g), above, nor to cure any default of Lessee referred to above.

(s) Foreclosure of any leasehold mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the leasehold mortgage, or any conveyance of the Leasehold from Lessee to any leasehold mortgagee or its designee through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Lessor or constitute a breach of any provision of, or a default under, this Lease.

(t) In the event any leasehold mortgagee or its designee becomes the Lessee under this Lease or under any new lease obtained pursuant to subparagraph (g), above, the leasehold mortgagee or its designee shall be personally liable for the obligations of Lessee under this Lease or new lease only to the extent that they arise during the period of time that the leasehold mortgagee or its designee constitutes the actual beneficial holder of the leasehold estate.

(u) Unless and until Lessor has received notice from each First Encumbrance Holder that the leasehold mortgagee elects not to demand a new lease as provided in subparagraph (g), above, or until the period therefor has expired, Lessor shall not cancel or agree to the termination or surrender of any existing subleases nor enter into any new subleases hereunder without the prior written consent of the First Encumbrance Holder.

(v) The proceeds of any insurance policies or of any condemnation or taking in eminent domain which, pursuant to the provisions of this Lease, are to be paid to Lessee, shall instead be paid to and held by leasehold mortgagee and distributed, as between Lessee and leasehold mortgagee, in accordance with the provisions of the mortgage. Anything in this Lease to the contrary notwithstanding, in the event this Lease is terminated due to a taking or partial taking, any compensation or award for the taking of all or any part of the Premises shall be distributed as follows:

(i) First, compensation for the value of Lessee's improvements shall be paid to leasehold mortgagee to the extent of the outstanding indebtedness secured by the mortgage (the "Indebtedness") and any balance shall be distributed as provided in this Lease.

(ii) Second, if the compensation for the value of Lessee's improvements is less than the Indebtedness, then compensation for the value of Lessee's leasehold estate shall be paid to leasehold mortgagee until the Indebtedness is paid in full, and any balance shall be distributed as provided in this Lease.

No termination of this Lease by Lessee due to a partial taking shall be effective without leasehold mortgagee's prior written consent unless the Indebtedness is paid in full. In the event of a partial taking where this Lease is not terminated, any compensation or award for the taking of such portion of the Premises shall be distributed as follows, subject to leasehold mortgagee's obligations (if any) under the mortgage and Loan Agreement to make such compensation or award available for restoration improvements on the Premises.

(iii) First, compensation for the value of Lessee's improvements shall be paid to leasehold mortgagee to the extent of the Indebtedness, and any balance shall be distributed as provided in this Lease.

(iv) Second, if the compensation for the value of Lessee's improvements is less than the Indebtedness, then compensation for the value of Lessee's leasehold estate shall be paid to leasehold mortgagee until the Indebtedness is paid in full, and any balance shall be distributed as provided in this Lease.

The foregoing provisions of this paragraph (v) shall not be construed as reducing the amount of condemnation proceeds payable by the condemning authority.

(w) The parties hereto shall give any First Encumbrance Holder notice of any arbitration or condemnation proceedings, or of any pending adjustment of insurance claims. Such First Encumbrance Holder shall have the right to participate in any such proceedings, and the parties hereto shall cooperate reasonably with the First Encumbrance Holder. The parties hereto consent to such intervention. In the event that any leasehold mortgagee shall not elect to intervene or become a party to the proceedings, that leasehold mortgagee shall receive notice and a copy of any award or decision made in connection therewith.

(x) The term "mortgage," whenever used herein, shall include whatever security instruments are used in the locale of the Premises, such as, without limitation, deeds of trust, security deeds, and conditional deeds, as well as financing statements, security agreements and other documentation required pursuant to the Uniform Commercial Code. The term "mortgage," whenever used herein, shall also include any instruments required in connection with a sale-leaseback transaction. The term "mortgagee" shall include the holder of the secured position under each of the foregoing types of instruments, including but not limited to the beneficiary under a deed of trust, the secured party under a security agreement and the lessor in a sale-leaseback transaction.

14. Indemnification, Hold Harmless and Insurance

14.1. Indemnification

Lessee shall defend, protect, indemnify and hold harmless Lessor and all Lessor Parties from and against any and all claims, demands, loss or liability of any kind that Lessor or any Lessor Parties may sustain or incur or which may be imposed upon them, or any of them, for injury to or death of persons, or damage to property, as a result of or arising out of this Lease or with occupancy and use of the Premises by Lessee, its officers, agents, employees, Sublessees, patrons, visitors, or trespassers. If any action or proceeding is brought against Lessor, or any Lessor Parties as provided in the preceding sentence, Lessee shall, upon notice from Lessor, defend the claim at Lessee's sole expense with counsel reasonably satisfactory to Lessor.

14.2. Waiver of Claims

Except for areas for which Lessor has retained maintenance and repair as provided in Paragraph 10.1 above, Lessee accepts the Premises in their "as is" and "where is" condition, including without limitation, risks of subsidence and liquefaction, Lessee acknowledging it has been in possession of the Premises for a period of years pursuant to the Old Lease, is familiar with the condition of the Premises, and is not relying on any representations or warranties of Lessor with respect to the Premises or condition thereof. As a material part of the consideration for this Lease, Lessee hereby waives all claims against Lessor for damages to goods, wares, merchandise, buildings, installations or other improvements in, upon, or about the Premises and for injuries to Lessee, its Sublessees or third persons in or about the Premises from any cause arising at any time, except claims for damages or injuries arising out of or to the extent of the active negligence of Lessor.

14.3. Hazardous Substances and Environmental Indemnity

(a) Lessee shall not engage in any use of Hazardous Substances in, on or about the Premises (including the installation or use of any above-ground or underground storage tank) except in compliance with applicable law. Lessor may require such additional assurances as Lessor, in its commercially reasonable discretion, deems necessary to protect Lessor, the public, the Premises, Redondo Beach King Harbor, the Harbor Area, and the environment against damage, contamination, injury or liability, including, without limitation, the deposit of additional security under Article 9 above.

(b) If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance, or a condition involving or resulting from a Hazardous Substance, is present on, under, or about the Premises, other than as previously consented to by Lessor, Lessee shall immediately give written notice of such fact to Lessor, together with copies of all reports or notifications to or from governmental agencies or private parties concerning the same.

(c) Lessee hereby represents that it has conducted all testing, inspection and analysis Lessee deems reasonably necessary with regard to the condition of the Premises. Lessee therefore takes possession of the Premises, and its leasehold interest in the Premises and any improvements now existing on the Premises, in their "as is" condition and with all faults (except for Hazardous Materials existing on the Premises prior to the commencement of the Existing Lease) and Lessee hereby specifically waives any rights Lessee may have against Lessor with regard to the condition of the Premises including, but not limited to soils, toxic or Hazardous Substances, fill material, compaction, geologic constraints and faults.

(d) Lessee shall indemnify, protect, defend and hold harmless Lessor and all Lessor Parties against any losses, liabilities, damages, demands, actions, judgments, causes of action, assessments, penalties, costs and expenses (including, without limitation, the reasonable fees and disbursements of legal counsel and accountants) and all applicable damages, at law and in equity, as a result of a storage tank existing within or brought onto the Premises by Lessee or its Sublessees, or their predecessors, or under Lessee's control, or a claimed violation of any and all present and future federal, state and local laws (whether under common law, statute, rule, regulation or otherwise), including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 and the applicable provisions of the California Health and Safety Code and the California Water Code, relating to the environment or to any Hazardous Substance, activity or material connected with the condition of the Premises. If any such action or proceeding is brought against Lessor or any Lessor Parties, Lessee, upon notice from Lessor, shall defend the claim at Lessee's sole expense with counsel reasonably satisfactory to Lessor. Lessee's obligations under this paragraph (d) shall include, without limitation, loss of rents to Lessor, the effects of any contamination or injury to person, property or the environment, the cost of investigation, remediation, restoration and abatement. Lessee's obligations hereunder shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this paragraph (d), unless specifically stated in writing in the agreement and signed by Lessor. Nothing in this Lease shall release or waive Lessee's rights against any third persons with respect to its obligations and liabilities under this paragraph (d), including against Lessee's Sublessees, their predecessors and insurers. In the event of any claim hereunder, Lessor shall fully cooperate with Lessee in the defense, prosecution and resolution of such claims.

(e) Lessee shall, at its sole cost and expense, comply with (i) any and all requirements necessary for the maintenance of reasonable fire and general liability insurance covering the Premises; and (ii) any and all rules, regulations, requirements and mandates of those federal, state and local public agencies now existing or as may hereafter be established or modified, with jurisdiction, power and authority to monitor, enforce and administer matters relating to Hazardous Materials, air and water quality, waste management and disposal, storage tanks, fish and game, commerce and navigation and other matters of the environment, especially those of a marine nature, within and connected with Redondo Beach King Harbor and the Harbor Area.

(f) Lessor shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease and all applicable laws and regulations. The cost of the inspection shall be borne by Lessor unless a default under this Lease, violation of law, or a contamination caused or contributed to by Lessee, is found to exist, in which case Lessee shall reimburse Lessor on demand for all reasonable costs of inspection, investigation, remediation, restoration or abatement, including all Lessor costs. Such payment shall be made to Lessor within ten (10) days after Lessee receives Lessor's reasonably detailed written demand for payment. Except in the case of an emergency, Lessee shall not undertake remediation, restoration, or abatement without first providing a reasonable opportunity for Lessee to do the same, and in such cases, Lessor and Lessee shall each cooperate with the other, including in providing access to the Premises.

14.4. General Liability and Property Damage Insurance

(a) In addition to and independent of all other provisions of this Lease, Lessee shall, at its own cost and expense, maintain insurance in full force and effect throughout the Lease Term. The policy or policies of insurance shall provide coverages which shall be commercially reasonable for the Premises and operations conducted on the Premises and shall, with respect to the General Liability coverage, name Lessor, and each of Lessor's elected officials, officers, employees, agents, attorneys, volunteers and members of all boards and commissions, as additional insureds. As a minimum, provided the same are available at commercially reasonable rates, the policy or policies of insurance shall provide the following forms of coverage in the amounts specified:

(i) Commercial General Liability: Twenty-Five Million Dollars ($25,000,000.00) per occurrence/general aggregate limit for Bodily Injury and Property Damage.

(ii) "All-Risk", in an amount not less than 100% of the full insurable value on a replacement cost basis of all improvements now existing or hereafter constructed or installed on or within the Premises by Lessee, any predecessor-in-interest of Lessee, or any Sublessee or assignee of Lessee on an All-Risk or Special Perils form. Policies of insurance providing this coverage shall contain a provision that all insurance proceeds shall be used to meet the obligations of Lessee to restore, repair and replace the improvements on the

Premises as required hereunder. Lessor and Lessee agree that such proceeds may be placed in trust with a trustee acceptable to Lessor and Lessee to secure the restoration and replacement of the improvements, provided Lessee shall be solely responsible for all payments and costs connected with the creation and administration of the trust and such costs and expenses shall not be paid from the insurance proceeds placed in trust. It shall be the obligation of Lessee to determine the availability of said coverage. If a loss occurs due to a risk which would have been covered under an All-Risk policy required hereunder, the loss shall be treated as occurring as a result of an insurable peril, as that term is defined in Article 20 below, even if Lessee has failed to maintain such a policy in full force and effect.

(iii) Earthquake insurance coverage, if reasonably available and economically feasible, in an amount not less than 100% of the full insurable value on a replacement cost basis of all improvements now existing or hereafter constructed or installed on or within the Premises.

(b) All insurance required to be provided under this Article shall be in force on or before the Commencement Date.

(c) Each policy of insurance shall contain a clause substantially similar to the following clause:

> "It is agreed that this policy shall not be canceled nor the coverage reduced until thirty (30) days notice of cancellation the Harbor Director of the City of Redondo Beach. The notice shall be sent by certified or registered mail and shall be deemed effective the date delivered to said Harbor Director, as evidenced by a properly validated return receipt."

(d) Lessee agrees to deposit with Lessor, at the times at which they are required to be in effect, a copy of the endorsements, and certificates of insurance necessary to satisfy the insurance provisions of this Lease and to keep such insurance in effect and the policy or policies, or certificate or certificates therefore on deposit with Lessor during the entire Lease Term. All policies of insurance shall be issued by insurance companies licensed to do business in the State of California or a surplus lines carrier and rated not less than Best's A: VII, or such other rating service as Lessor shall select in its reasonable commercial discretion if Best's is no longer available or providing such rating service. Further, all policies of insurance shall contain language to the effect that: (i) the insurer waives the right of subrogation against Lessor and Lessor's elected officials, officers, employees, agents, attorneys and members of all boards and commissions and all employees of Lessor performing services for or under this Lease; (ii) the policies are primary and noncontributing with any insurance that may be carried by Lessor; (iii) the insurance is to apply severally as if each named insured were the only named insured, and separately as to each insured against whom a claim is made or an action is brought; and (iv) the inclusion of any person or entity as an insured is not to affect any right such person or entity would have as a claimant against another insured.

(e) Lessor shall retain the right at any time to review the coverage, form and amount of the insurance required to be maintained by Lessee under this Lease. If, in the opinion of Lessor, applying commercially reasonable standards, the insurance provisions in this Lease do not provide adequate protection for Lessor and for members of the public using the Premises, Lessor may require Lessee at Lessee's sole expense to obtain insurance sufficient in coverage, form and amount to provide adequate protection. Lessor's requirements shall be commercially reasonable and designed to assure protection from and against the kind and extent of the risks which exist at the time a change in insurance is required. Insurance coverages specified in this Article 14 are subject to adjustment pursuant to Article 48 below.

(f) Lessor shall notify Lessee in writing of changes in the insurance requirements, and, if Lessee does not deposit copies of acceptable insurance policies or certificates of insurance with Lessor incorporating such changes within thirty (30) calendar days of receipt of such notice, Lessee shall be in default of this Lease.

(g) The procuring of such required policy or policies of insurance shall not be construed to limit Lessee's liability hereunder, nor to fulfill the indemnification provisions and requirements of this Lease. Notwithstanding said policy or policies of insurance, Lessee shall be obligated for the full and total amount of any damage, injury, or loss, including all costs, expenses and attorneys' fees caused by negligence or neglect arising out of any act or omission of Lessee, its agents, employees and Sublessees connected with this Lease or with the use or occupancy of the Premises.

14.5. Workers' Compensation Insurance

Lessee shall procure, at its own expense, and shall keep in force during the Lease Term, adequate insurance against liability arising on account of injuries or death to Lessee's workers or employees on the Premises or any installation or other improvements of Lessee by Lessee's workers or employees. Such workers' compensation insurance to be provided by Lessee shall be in the statutory amounts obtainable against liability under the Workers' Compensation Insurance and Safety Act of the State of California as well as Employer's Liability Insurance. Lessee shall also procure and maintain at all times during the Lease Term, by separate policy or by endorsement, insurance against liability arising from or related to the United States Longshoremen and Harbor Workers' Act, if at any time Lessee has any employees covered by such Act.

14.6. Rental Insurance

During the first year of the Lease Term, Lessee shall procure, at its own expense, and keep in force during said year, commercially available business interruption insurance payable to Lessor in an amount equal to twelve (12) times the initial Minimum Monthly Rental specified above. Effective on the one hundred twentieth (120^{th}) day after the first anniversary date of this Lease, and the one hundred twentieth (120^{th}) day after each anniversary date thereafter during the Lease Term, Lessee shall procure and maintain in force at its own expense, rental interruption insurance (or, as the case may be, use and occupancy insurance) and business interruption or disruption insurance, exclusive of pollution, with benefits payable to Lessor in an amount not less than the total of the minimum monthly and percentage rentals payable by Lessee to Lessor for the twelve (12) month period immediately preceding the anniversary date of this Lease. The amount of such insurance shall be so adjusted each year of the Lease Term so that the amount of such insurance payable to Lessor shall at all times be at least equal to the total of the Minimum Monthly Rental and Percentage Rental payable to Lessor for the twelve (12) month period immediately preceding such adjustment.

14.7. Other Insurance

Lessee shall procure, at its sole cost and expense, and shall keep in force during the Lease Term:

(a) Boiler and machinery insurance if at any time such equipment is located on the Premises.

(b) Course of construction insurance at all times during which any improvements to be located on the Premises are under construction and not yet otherwise insured.

(c) Other insurance in amounts from time to time reasonably required by Lessor against other insurable risks if, at the time, they are commonly insured against for premises similarly situated and containing comparable improvements.

15. Assignment and Subletting

15.1. Restrictions on Assignment

(a) Except as otherwise permitted in connection with assignments as security for an encumbrance under Article 13 above or as otherwise provided in Paragraph 13.4 (b), Lessee may assign, transfer, convey or otherwise sell this Lease, or Lessee's interest in this Lease or in the Premises, or any portion thereof only with the prior written consent of Lessor, which consent may not be unreasonably withheld, conditioned or delayed. As a condition precedent to Lessor's review for consent, the following requirements must be met:

(i) Lessee shall have given Lessor reasonable advance written notice of the proposed assignment sufficient to enable Lessor to conduct an investigation and review of the transaction and the proposed assignee;

(ii) Lessee shall have provided Lessor with such appropriate documentation as Lessor may require, including (1) all transaction, financing, and escrow documents, which shall specify any brokerage commissions, finder's fees or other charges and payments to third persons not parties to the proposed assignment, (2) if the proposed assignee is a corporation, but not a publicly traded corporation, the name and address of each shareholder and his or her shareholding interests in the proposed assignee, (3) if the proposed assignee is a partnership, limited liability company or joint venture, the name and address of each general partner, member, or joint venturer, and a statement of his or her equity interest in the proposed assignee, (4) evidence of the proposed assignee's business history, including information relative to its status as a Multi-facility Entity, (5) current financial statement(s) for the proposed assignee(s) or any Controlling Members, (6) the last three years' income tax returns for the proposed assignee(s), or general partners or members thereof, if the proposed assignee is a partnership, (7) the business plan and financial projections of the proposed assignee(s), (8) a statement of any litigation affecting the proposed assignee(s) or any Controlling Members, (9) identification of each operator or independent contractor the proposed assignee intends to use in its business operations on the Premises, including name, address, business experience and references, (10) copies of any management or operation agreements between the proposed assignee and its independent contractors which shall be subject to specific prior' approval by Lessor applying commercially reasonable standards, (11) such other information and material that evidences that proposed assignee or its Controlling Members have the experience, reputation, business background and financial capacity to reasonably ensure the continued prompt performance of the obligations of Lessee under this Lease after such assignment is to become effective and, (12) such other documents and information as may be reasonably required by Lessor to determine the commercial reasonableness of the proposed assignment. For purposes of this Lease, (x) "Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the legal entity, whether through the ownership of voting securities or by contract or otherwise; and (y) "Controlling Member(s)" shall mean the shareholder(s), partner(s), member(s) or joint venturer(s) who Control(s) the legal entity.

(iii) The proposed assignee shall expressly agree in a writing in a form acceptable to Lessor to be bound by all of the terms, covenants, conditions and agreements of this Lease;

(iv) Lessee is not in default;

(v) Lessee shall pay Lessor a non-refundable fee for processing each request for approval of assignment in a reasonable amount under the circumstances in light of the size, nature, complexity and expertise required to review said proposed assignment, plus all Lessor Costs that may be incurred in connection with the processing of said assignment, including without limitation the cost of making investigations as to the acceptability of the proposed assignee;

(vi) The proposed assignee shall, in Lessor's commercially reasonable business judgment, have sufficient business reputation and/or experience to operate a successful business of the type and quality permitted under this Lease;

(vii) Concurrently with the initial submission of assignment documents and information specified in subparagraph (ii) above, Lessee shall demonstrate to Lessor the ability to pay, or cause to be paid, the amount of real estate transfer tax, if any, due the appropriate governmental entities under the applicable laws, ordinances, rules and regulations of those entities;

(viii) The proposed assignee(s) shall provide all funds necessary and shall open all appropriate accounts to hold any Renovation Fund and Capital Improvement Fund required to be made under this Lease;

(ix) The proposed assignee(s) shall provide to Lessor all funds necessary to replace, replenish, or increase any security deposit required to be made under this Lease; and,

(x) The Lessee shall pay Lessor all sums due as "Appreciation Rent" for an assignment of this Lease, if any, under and pursuant to Article 18 below.

(b) Except with regard to a Permitted Transfer (as defined in Section 15.1(f) below) and except with regard to any sale and assignment occurring during the first ten (10) years of the Lease Term, if Lessee shall determine to sell and assign the Leasehold, Lessee shall notify Lessor in writing of the price and the material terms upon which Lessee desires to sell and assign the Leasehold (a "Sale Notice"). If Lessor, within ninety (90) days after Lessor's receipt of the Sale Notice, notifies Lessee in writing of Lessor's election to purchase the Leasehold for the price and on the terms stated in the Sale Notice (a "Buy Notice"), Lessee shall sell and assign the Leasehold to Lessor for the price and on the terms stated in the Sale Notice. If Lessor does not deliver a Buy Notice to Lessee within such ninety (90) day period, Lessee thereafter shall have the right to sell and assign the Leasehold to a third party, but only for a price not less than ninety-five percent (95%) of the price offered to Lessor in the Sale Notice and on terms not materially more favorable to the transferee than those stated in the Sale Notice. If Lessee does not so sell and assign the Leasehold, or enter into a written agreement for such sale and assignment of the Leasehold, within one hundred eighty (180) days after Lessor's receipt of the Sale Notice, any further proposed sale of the Leasehold (including a transaction at the same price and on the same terms previously submitted to Lessor in the Sale Notice) shall be deemed a new determination by Lessee to sell and assign the Leasehold, and the provisions of this Section 15.1(b) shall again be applicable. The obligations and rights under this Section 15.1(b) shall not survive any sale of the Leasehold to a third party pursuant to the terms of this Section 15.1(b), and therefore shall not apply to any subsequent sale of the Leasehold. If Lessor exercises the option set forth herein, Lessee shall thereafter be relieved and released from all duties and obligations under this Lease arising after the date of assignment of the leasehold to Lessor. For purposes of this Section 15.1(b), a proposed sublease of a majority of the income-producing square footage of the residential component of the Premises for at least seventy-five percent (75%) of the remainder of the Lease Term, shall be an assignment, and Lessor shall have all rights specified herein with respect to such sublease.

(c) If Lessee is a corporation, a partnership of any kind, a limited liability company, or an unincorporated association, any Transfer shall be an assignment. If Lessee is a corporation, but not a publicly traded corporation, Lessee shall concurrently with the execution of this Lease deliver to Lessor a list of all shareholders of the corporation, which list shall be certified to be true and correct by the secretary of the corporation. Lessee shall give Lessor written notice of any proposed Transfer at least ten (10) days prior to such Transfer taking place and regardless of whether such Transfer is itself an assignment or will be deemed to be an assignment under this Article 15. If Lessee is a partnership, limited liability company, joint venture or unincorporated association, Lessee shall concurrently with the execution of this Lease deliver to Lessor a list of all partners, members, joint venturers or owners constituting Lessee, specifying the type of partner, membership and percentage ownership interest of each partner, member, joint venturer or owner, which list shall be certified to be true and correct by at least one general partner or managing owner of Lessee. Further, if any proposed transferee is a partnership, limited liability company, joint venture or unincorporated association, a similar certified list of partners, joint venturers or owners in the proposed transferee shall be delivered to Lessor together with the written notice of proposed transfer specified above. Notwithstanding the foregoing, the holders of equity interests in Lessee, in whatever form held, may make transfers for estate planning purposes without notice to Lessor, provided that control of Lessee does not change with such transfer. All lists to be submitted hereunder may be treated as Confidential Information under Article 52 of this Lease.

(d) Except as expressly stated above, any assignment without Lessor's prior written consent shall be void and, at the option of Lessor if the same is material, may be grounds for terminating this Lease.

(e) Neither an assignment of this Lease by Lessee nor Lessor's consent to any assignment shall operate to release or discharge Lessee from any obligations under this Lease unless Lessor's written consent to assignment expressly so states. After any such assignment, Lessee shall have the right to perform any obligations under this Lease on behalf of its assignee, and Lessor shall permit such performance. In addition, if Lessee performs any obligations of its assignee because of the assignee's failure to do so, a reconveyance of the leasehold interest to Lessee from such assignee shall be deemed permitted without any requirement of consent by Lessor; provided, however, that Lessor shall receive notice of any such reconveyance.

(f) Notwithstanding anything contained in this Section 15.1 to the contrary (including, without limitation, Section 15.1(c) above), Lessor's consent shall not be required for a transaction (herein a "Permitted Transfer") by which all or part of a Constituent Member's interest in Lessee is conveyed, provided that, after each conveyance, either a Constituent Member or The Bascom Group, LLC, a California limited liability, is a managing member of Lessee and holds no less than a thirty-five percent (35%) ownership interest in Lessee, and there are no managing members other than the entities described in this sentence.

15.2. Assignments Pursuant to the Bankruptcy Code

The restrictions on assignments of this Lease and other terms and conditions set forth in Paragraph 15.1, and the provisions relating to Appreciation Rent set forth in Article 18, below, shall, to the extent allowed by law, apply to any assignment, transfer, conveyance or sale of this Lease, or any interest of Lessee under this Lease, pursuant to the Bankruptcy Code, or by operation of law. In addition, the following restrictions shall be conditions precedent to the effectiveness of the assignment or other transfer, conveyance or sale of this Lease:

(a) Any person or entity to which this Lease, or any interest herein, is so assigned, transferred, conveyed or sold, shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of such assignment. Any such assignee shall, upon demand by Lessor, execute and deliver to Lessor a written document confirming such assumption, in a form reasonably acceptable to Lessor.

(b) Such assignee shall provide Lessor with cash deposits, appropriate bond or bonds, personal guarantees or other forms of security acceptable to Lessor to ensure the future performance of the obligations of Lessee remaining to be performed under this Lease, provided such cash, bond or security is in commercially reasonable amounts, taking into account Lessee's past performance under this Lease and the extent and nature of the proposed assignee's future obligations hereunder.

(c) Any and all money, cash equivalents, or other consideration payable or otherwise to be delivered in connection with each assignment, shall be paid or delivered to Lessor, shall be and remain the exclusive property of Lessor and shall not constitute property of Lessee or of the estate of Lessee within the meaning of the Bankruptcy Code. Any and all money or other consideration constituting Lessor's property under the preceding sentence not paid or delivered to Lessor, shall be held in trust for the benefit of Lessor and be promptly paid or delivered to Lessor.

15.3. Restrictions on Subletting

Lessee shall not sublet the Premises, or any portion thereof, or any right or privilege appurtenant thereto, and shall not sublet any buildings, or other structures on the Premises, without the prior written consent of Lessor; provided, however, no such approval is required for and the requirements of this Paragraph 15.3 shall be inapplicable to, the ordinary rental of marina slips, hotel rooms, rooms for group meetings and events, and apartments. Lessor shall act reasonably and promptly in reviewing and granting or denying its approval of subleases pursuant to this paragraph. Lessor need not approve any sublease if, among other reasons, Lessee is in default under any provision of this Lease at the time Lessor's consent is requested or at the time the sublease is to be or become effective, or if Lessor has a reasonable belief that the sublease has been so structured and negotiated to avoid the sublease being considered as an assignment under Paragraph 15.1, nor must Lessor approve any sublease which does not, as a minimum, submit to the following criteria:

(a) Lessee shall give Lessor reasonable advance written notice of the proposed sublease, providing appropriate documentation to Lessor as Lessor may reasonably require relating to the financial capacity and reputation of the proposed Sublessee (excluding limited partners and shareholders), including but not limited to a statement of pending litigation involving the proposed sublessee, past employment and business history of sublessee and its managing agents or officers, and a listing of felony convictions of sublessee, or each separate entity or person making up sublessee,

(b) Sublessee must acknowledge in writing that Sublessee has had an opportunity to review and has reviewed the terms and provisions of this Lease,

(c) Sublessee must acknowledge in writing that the sublease is subordinate and subject to this Lease and that sublessee shall attorn to Lessor in the event Lessor succeeds to the interests of Lessee/sublessor. All subleases entered into after the Commencement Date shall include a provision that expressly makes the Sublessee subject and subordinate to this Lease, including without limitation the provisions regarding reporting Gross Receipts and the keeping of records related thereto; provided, however, at Lessor's option this subordination may be waived by Lessor. For clarity, a sublease provision as required by the preceding sentence shall mean that in the event of termination of this Lease, at the option of the Lessor, Sublessee's sublease may be terminated by Lessor even where Sublessee is not in default under its sublease.

(d) By consenting to the sublease, regardless of whether or not the sublease contains provisions for the renegotiation of the rental to be paid by sublessee to Lessee/sublessor, Lessor shall not be deemed to have waived its right to renegotiation of rentals under this Lease and Lessee/sublessor shall be bound by all rent renegotiation provisions of this Lease applicable to Gross Receipts generated pursuant to each sublease. All subleases entered into by Lessee as sublessor shall provide that:

(i) the Sublessee shall be subject to all rental revisions arising out of any rental renegotiation between Lessor and Lessee under Article 5 above, as applied to the business operations of the sublessee and all Gross Receipts derived there from; or

(ii) effective upon any attornment by the Sublessee to Lessor, the sublease will be deemed to have expressly provided for the renegotiation of rentals, both minimum and percentage, if applicable, concurrently with the time period when Lessor and Lessee would be required to renegotiate said rentals under this Lease and the procedures for the conduct of such renegotiations between sublessee and Lessor shall be those specified in Article 5 above.

(e) If the business activities of the proposed Sublessee to be conducted on the sublet portion of the Premises will generate Gross Receipts as that term is defined in this Lease, the sublease shall contain an express provision obligating the proposed sublessee to conduct its business activities as a continuous operation during all normal business hours as required by Article 24 below.

(f) No sublease term shall exceed or extend beyond the Lease Term.

(g) The Sublessee must acknowledge in writing that Sublessee waives all claims against Lessor for damages to goods, wares, merchandise, buildings, installations or other improvements in, upon, or about the sublet portion of the Premises, and agrees that sublessee shall indemnify and save harmless Lessor Parties from and against any and all claims, demands, loss or liability of any kind or nature which Lessor Parties may sustain or incur or which may be imposed upon them or any of them (i) for injury or death of persons, or damage to property as a result of, arising out of, or in any manner connected with the sublease or with the occupancy and use of any portion of the Premises by Sublessee, its officers, agents, employees, contractors, concessionaires, licensees, patrons or visitors, and (ii) in connection with any and all liens for labor, services, supplies or materials arising out of the design, construction, repair, alteration or installation of structures, improvements, equipment or facilities within the Premises caused by Sublessee.

(h) Any mortgage, pledge, hypothecation, encumbrance, transfer, sublease or assignment of Sublessee's interest in the Premises, or any portion thereof, whether voluntarily or by operation of law, shall first be approved in writing by Lessor, and if not so approved, shall be void.

(i) Sublessee shall not discriminate against any person or class of persons by reason of sex, race, color, religious creed, ancestry, national origin, age, disability, physical handicap, sexual orientation, medical condition or marital status, and shall make its accommodations and services available to all persons on a non-discriminatory basis.

(j) No alterations, improvements, or erecting of signs may be accomplished by sublessee on the Premises without the prior written approval of Lessor and such other governmental agencies as may have jurisdiction over said work.

(k) Lessee pays a non-refundable fee to Lessor for processing each request for consent to a sublease in an amount which under the circumstances in light of the size, nature, complexity and expertise required to review said proposed sublease, plus Lessor's reasonable out-of-pocket. expenses paid to unrelated third parties such as attorneys, accountants and other consultants connected with the processing of the request for consent to sublease, and the value of services provided by employees of Lessor, its elected officials, in-house counsel and lease administrators.

(1) Under the sublease, sublessee shall expressly agree in writing to maintain and make available for inspection by Lessor all Records required by Article 5 above, in the manner set forth in that Article.

(m) Lessee/sublessor shall grant sublessee only non-exclusive rights for the conduct of any business activities and operations on the Premises, unless Lessor shall expressly agree otherwise in writing.

Notwithstanding anything to the contrary contained in this Section 15.3, (i) Lessor hereby consents to the Chart House Sublease and the provisions of this Section 15.3 shall not apply to the Chart House Sublease unless required in the Chart House Sublease or the Old Lease; and (ii) Lessor's consent shall not be required for, and the provisions of this Section 15.3 shall not apply with respect to, any subleasing of residential units on the Premises, legally approved and existing or the subleasing of all or any portion of the office space comprising approximately 500 square feet located on the ground floor of the southerly boundary of the Premises adjacent to the existing parking garage. Notwithstanding the termination of the Old Lease pursuant to subparagraph 4(b) above, said termination shall in no event cause the termination of the Chart House Sublease, it being the understanding of the parties that, upon the commencement of the Term of this Lease, the leasehold estate created by this Lease shall serve as the leasehold estate underlying the Chart House Sublease and the Chart House Sublease shall continue in full force and effect as between Lessee and the Subleasee under the Chart House Sublease upon the same terms and conditions as existed immediately prior to the commencement of the Term of this Sublease.

15.4. Restrictions on Subtenants' Right to Encumber

(a) No Subtenant shall mortgage, pledge, hypothecate, encumber, sublet or assign its interest in the Premises as security, whether voluntarily or by operation of law, without obtaining Lessor's and Lessee's prior written consent. Lessor and Lessee each reserve the right to consent or withhold its consent to any such proposed encumbrancing as Lessor and Lessee shall determine, in their respective commercially reasonable discretion. Any such encumbrancing shall only be on such terms as may be satisfactory to Lessor and Lessee. Lessee shall submit to Lessor the proposed terms and conditions of any such encumbrancing by a Sublessee, including the terms of any loan connected therewith, and shall deliver to Lessor any other documents and information Lessor may reasonably request in determining whether or not to consent or withhold its consent to such encumbrance.

(b) Lessee shall pay a non-refundable fee to Lessor for processing each request for consent to an encumbrancing of a subleasehold estate in an amount which is reasonable under the circumstances in light of the size, nature, complexity and expertise required to review said proposed encumbrance, plus all Lessor Costs.

(c) The provisions of this Section 15.4 shall not apply to any encumbrance, or proposed encumbrance, of the subtenant's interest under the Chart House Sublease, which encumbrances shall be allowed if approved by Lessee.

15.5. Lessor's Discretion

(a) In granting its consent to any sublease or related encumbrancing, Lessor shall have the right to impose upon the proposed Sublessee, as a condition to its consent, compliance with all terms, covenants, conditions and agreements in this Lease. Any subletting or encumbrancing of a subleasehold estate by a Sublessee, or by Lessee as sublessor, without such consent, shall be considered an event of default under this Lease.

(b) Lessee acknowledges and understands that Lessor cannot closely monitor all activities of Lessee and its Sublessors connected with their operations on the Premises and must depend on Lessee's good faith monitoring and reports of such activities.

15.6. Assignment and Sublease Documents

It shall be the sole responsibility of Lessee to ensure that all documents relating to any assignment or sublease of all or any portion of the Premises shall be consistent with the terms and provisions of this Lease, and particularly this Article 15.

15.7. Consent Not a Waiver

Any consent by Lessor to one assignment, transfer, conveyance, sale, subletting, occupation or use by any person shall not be deemed to be a consent to any subsequent assignment, transfer, conveyance, sale, subletting, occupation or use, nor shall such consent constitute or operate as a waiver, release, modification or abandonment by Lessor of any rights or claims of Lessor under this Lease.

(a) Notwithstanding any provisions herein to the contrary, for purposes of this Article 15, the terms "assignment" and "subletting" shall not be construed or interpreted to mean or include the renting or leasing of motel or hotel accommodations, meeting or event space, apartments, or the renting or leasing of boat slips on the Premises. However, the renting or leasing of apartment, motel, or hotel accommodations, meeting space, or boat slips shall come under any applicable operating rules and regulations of Lessor (except for residential leases with terms of at least 30 days). If Lessee rents or subleases any apartment, motel, or hotel accommodations, meeting spaces or boat slips contrary to the rules and regulations of Lessor, or in violation of any other applicable rules or regulations, Lessor reserves the right to require that Lessee cancel the lease of any such apartment, motel, or hotel accommodations, meeting space or boat slip rented contrary to such operating rules and regulations by delivering written notice of required cancellation to Lessee. Lessee shall thereafter cancel the rental within ten (10) days after delivery of said notice. If Lessee fails to effect the cancellation within said ten-day period, such failure shall be considered an event of default under this Lease.

(b) Lessee acknowledges and understands that Lessor cannot closely monitor all activities connected with the renting or leasing of apartment, motel, or hotel accommodations, or the renting or leasing of boat slips on the Premises, or any month-to-month rental, and must depend on Lessee's good faith monitoring and reports of such activities.

15.8. Permitted Transactions Under Chart House Sublease.

No assignment or subleasing under the Chart House Sublease that does not require Lessee's consent in its capacity as Lessor thereunder, or which would not have required Lessor's consent under the Old Lease shall be deemed a default hereunder.

16. Default

16.1. Definition of Default

Subject to the rights of an encumbrance holder as stated in Paragraph 16.2 the following shall be deemed a default by Lessee and, subject to Paragraph 16.2, a material breach of this Lease:

(a) Failure to pay Minimum Monthly Rental, Percentage Rental, Appreciation Rent, taxes of any type or nature connected with the Premises or the possession, use or occupation of the Premises, or any other sum, fee, or assessment specified under this Lease to be paid by Lessee to Lessor;

(b) Failure to furnish any Monthly Financial Statement or Annual Financial Statement pursuant to Article 5 above, within the time required;

(c) Failure to reimburse Lessor within the time required for the cost of auditing any Monthly Financial Statement or Annual Financial Statement pursuant to Article 5 above;

(d) Permitting the Premises, or any portion thereof, to be used for any purpose or purposes not authorized by or in violation of Article 6 above or causing a violation of the trust referenced in Article 6 above;

(e) Failure to submit schematics, preliminary plans, working drawings, environmental assessments or draft supplemental or subsequent environmental impact reports for the required improvements to be constructed on the Premises pursuant to Article 7 above, within the time required;

(f) Failure to complete construction of the required improvements to be constructed on the Premises pursuant to Article 7 above, within the time required;

(g) Failure to replenish or increase the Deposit pursuant to Article 8 above, within the time required;

(h) Failure to, provide any bond required to be provided by Lessee under Article 8 above, according to all terms, provisions and conditions specified therein;

(i) Failure to provide any additional Deposit, or any sums required for the annual adjustment thereof, pursuant to Article 8 above;

(j) Failure to keep, maintain and repair the Premises, and all improvements on the Premises pursuant to the requirements specified in Paragraph 9.1(a) above;

(k) Failure to submit schematics, preliminary plans, working drawings, environmental assessments or draft supplemental or subsequent environmental impact reports for the initial or interim modernization programs pursuant to Paragraphs 9.2 or 9.3, above, within the time required;

(l) Failure to complete construction or implementation of the initial or interim modernization programs pursuant to Article 9, above, within the time required;

(m) Failure to replenish the additional security and/or to pay Lessor required sums to cover the cost of removing debris from any water area within the Premises pursuant to Paragraph 9.5 above, within the time required;

(n) Failure to pay Lessor for the cost of repairs and replacements made by Lessor pursuant to Paragraph 10.1 above, within the time required;

(o) Encumbering, or attempting to encumber, Lessee's interest in the Premises, or any part thereof, or in the improvements on the Premises, or any part thereof, without first obtaining Lessor's prior written consent to such encumbrance pursuant to Article 13 above;

(p) Encumbering, or attempting to encumber the tide and submerged lands or fee simple title to the Premises, or any part thereof;

(q) Failure to reimburse Lessor for all costs associated with a Hazardous Substance contamination of the Premises caused or contributed to by Lessee, or its Subtenants, pursuant to Paragraph 14.3(f) above, within the time required;

(r) Failure to maintain required insurance or insurance coverages, or to implement changes in such insurance or insurance coverages, pursuant to Article 14 above, within the time required;

(s) Voluntarily assigning, or attempting to voluntarily assign, Lessee's interest under this Lease in the Premises, or any part thereof, or improvements thereon, without first obtaining Lessor's prior written consent to such assignment, pursuant to Article 15 above;

(t) Subletting, or attempting to sublet, all or any portion of the Premises, or improvements thereon, without first obtaining Lessor's prior written consent to such subletting pursuant to Article 15 above within the time required;

(u) Permitting any Sublessee to encumber its subleasehold estate without Lessor's prior written consent in violation of Article 15 above within the time required;

(v) Failing to cancel or cause the cancellation of any hotel, motel or boat slip rental arrangement pursuant to Paragraph 15 above, which is contrary to Lessor's rules and regulations therefore, within the time required;

(w) Failure to maintain and use the Renovation Fund in accordance with Paragraph 9.2 above;

(x) Abandonment of the Premises by Lessee at any time during the Lease Term;

(y) Failure of Lessee to commence the repair, construction, reconstruction, replacement or restoration of the Premises, or any part thereof, or any building, structure or other improvement thereon, within the time required, and/or to diligently prosecute such work to completion, pursuant to Articles 19 or 20 below;

(z) Failure of Lessee or its Sublessees to conduct business operations on the Premises in full compliance with the effective schedules and procedures therefore, pursuant to Article 24 below;

(aa) Failure to maintain and use the Capital Improvement Fund in accordance with Paragraph 7.7 above;

(bb) Failure to maintain membership in any association for lessees within the Harbor Area and/or failure to pay dues or other charges or assessments as may be imposed on Lessee by said association, where membership is required pursuant to Paragraph 27 below;

(cc) Failure to do, observe, keep and perform any of the covenants, conditions and agreements of this Lease to be done, observed, kept or performed by Lessee;

(dd) Submission by Lessee to Lessor of any financial statement, balance sheet, income statement or other financial information including, without limitation, any schedule of aged accounts payable, containing any misleading or materially false information;

(ee) Failure to immediately commence curing of any default involving action other than the payment of money, and promptly to proceed in good faith to rectify the same and prosecute the same to completion with diligence;

(ff) Any involuntary assignment or transfer of Lessee's interest in the Premises under this Lease or any part thereof, or improvements thereon, without first obtaining the prior written consent of Lessor;

(gg) Appointment of a receiver of the business or assets of Lessee, or of a member or partner of Lessee, if Lessee is a general partnership or joint venture, or of a general partner of Lessee, if Lessee is a limited partnership, except a receiver appointed at the instance and request of an approved encumbrance holder; and

(hh) The making of a general assignment or an assignment for the benefit of creditors, whether voluntarily or involuntarily, by Lessee, by a member or partner of Lessee, if Lessee is a general partnership or joint venture, or by a general partner of Lessee, if Lessee is a limited partnership.

As used in this Lease, the word "default" includes the word "breach."

16.2. Lessee's Right to Cure a Default

(a) As to any default identified in Paragraph 16.1 above, which can be cured by the payment of money to Lessor, an encumbrance holder or other governmental entity or agency, Lessee may cure such default by making the required payment within ten (10) days after receiving written notice from Lessor to remedy or cure such default.

(b) As to any default identified in Paragraph 16.1 above, which cannot be cured by the payment of money, and excluding the events of default identified in subparagraph (ii), above, Lessee may cure such default by promptly taking such action and doing such things as may be necessary to cure such default within thirty (30) calendar days after receipt of written notice from Lessor; provided that in the event the cure shall take more than thirty (30) days, the time shall be extended for a reasonable time so long as Lessee continuously pursues the cure.

(c) As to any default identified in subparagraph (ii), above, Lessee may cure such default by obtaining and delivering to Lessor, a dismissal of the legal proceedings upon which the event of default is based within sixty (60) calendar days after receipt of written notice from Lessor to remedy or cure such default.

16.3. Lessor Remedies

(a) If Lessee fails to cure a default within the time and in the manner specified in Paragraph 16.2 above, then, in addition to any other remedy Lessor may have by operation of law, including all rights available to Lessor under Sections 1951.2 and 1951.4 of the Civil Code of the State of California (where a lessor is given the right, among others, to continue the lease in effect after a lessee's breach and abandonment and recover rent as it becomes due, if the lessee has a right to sublet or assign, subject to reasonable limitations), or otherwise provided herein, Lessor shall have the right and option, upon notice, to:

(i) Declare this Lease at an end, in which event Lessor shall be entitled to recover, in addition to any other damages, the worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of such rental loss for the same period that the Lessee proves could be reasonably avoided; or

(ii) Without terminating this Lease, Lessor may give the Sublessees written notice of default, and may collect all rents, issues, profits, fees, charges, deposits and other sums from the Sublessees otherwise due, owing and payable to Lessee and apply such sums against obligations owing to Lessor by Lessee under this Lease; and/or

(iii) Without terminating this Lease, relet all or part of the Premises, as the agent for and for the account of Lessee, upon such terms and conditions as Lessor may deem advisable, in which event the rents received on such reletting shall be applied first to the expenses of Lessor in such reletting and collection, including the cost of advertising, any necessary renovation and alterations of the Premises to accommodate the requirements of the new tenant, all Lessor Costs, any real estate commissions paid, and thereafter to payment of all sums due or to become due Lessor under this Lease. If a sufficient sum is not realized to pay all such costs and expenses and other charges, Lessee shall immediately pay Lessor, upon demand, any deficiency, even though Lessor may have received rental in excess of the rental stipulated to in this Lease in previous or subsequent months, and Lessor may bring an action therefor as such monthly deficiency shall arise. Lessor shall in no event be liable in any way for failure to relet the Premises, or in the event that the Premises are relet, for failure to collect the rent therefor under such reletting; or

(iv) At the option of Lessor, this Lease shall continue in effect for the remainder of the Lease Term so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all of the rights and remedies under this Lease, including, but not by way of limitation, the right to recover from Lessee the rent, and all other sums and amounts as they become due hereunder.

16.4. Right of Re-Entry

The exercise of any right of re-entry by Lessor under Paragraph 16.3 above, shall be allowed by Lessee without hindrance, and Lessor shall not be liable in damages to Lessee or its Sublessees for any such re-entry, or be guilty of trespass or forcible entry.

16.5. Percentage Rental upon Default

For purposes of this Article 16 and in addition to the Minimum Monthly Rental otherwise payable to Lessor, the additional Percentage Rental for any period after default payable to Lessor by Lessee shall be at a monthly rate, equal to the average monthly Percentage Rental that Lessee was obligated to pay Lessor during the twelve (12) months immediately preceding the month during which the default occurred (taking into account Minimum Monthly Rentals paid by Lessee during that period) or the actual Percentage Rental due hereunder, whichever amount is greater.

16.6. Lessor's Right to Cure Default

In the event of Lessee's breach or default of any term, covenant or condition in this Lease, Lessor may, at any time after ten (10) days written notice of default to Lessee and Lessee's failure to cure, act to cure such default for the account of and at the expense of Lessee. If Lessor at any time by reason of such breach or default is compelled to pay, or elects to pay, any sum of money or to do any act which will require the payment of any sum of money, or is compelled to incur any expense, including fees on account of services rendered or work performed by accountants or consultants, or reasonable attorneys' fees in instituting, prosecuting, or defending any actions or proceedings to enforce Lessor's rights under this Lease or otherwise, the sum or sums paid by Lessor shall bear interest at the lesser of twelve percent (12%) per year or the maximum rate then allowed by law, and all such interest, costs and damages shall be deemed to be additional rent under this Lease and shall be due from Lessee to Lessor on the first day of the month following the incurring of such expenses.

16.7. Attorneys' Fees

In the event of any action by either party hereto against the other by reason of the breach of any covenant or condition on the part of the other party or arising out of this Lease, then the prevailing party in whose favor final judgment shall be entered shall be entitled to recover attorneys' fees and costs.

16.8. Right to Legal and Equitable Remedies, Waiver and Judicial Reference

(a) In the event of a default or threatened default by either party of any term, covenant, condition or agreement of this Lease, the other party shall have the right of injunction and the right to invoke any remedy allowed by law or in equity. Mention in this Lease of any particular remedy shall not preclude either party from any other remedy at law or in equity.

(b) Lessor and Lessee waive all rights to trial by jury in any action, proceeding or counterclaim brought by either of them against the other on any matters arising out of this Lease or the use and occupancy of the Premises (except claims in unlawful detainer or for personal injury or property damage). If Lessor commences any summary proceeding for nonpayment of rent or other sums due under this Lease, Lessee will not interpose (and waives the right to interpose if any such right exists) any counterclaim in any such proceeding.

16.9. Rights of Sublessee

Subject to Paragraph 15.3 (c), any Sublessee shall have the right, at its election, to cure a curable default under this Lease. If any such Sublessee cures all defaults then existing which are capable of being cured, Sublessee's possession and use shall not be disturbed by Lessor as long as (a) Sublessee performs in accordance with the terms of its sublease, and (b) Sublessee attorns to Lessor.

16.10. No Lessee Rights After Termination

Except as otherwise provided in Paragraphs 16.3 and 16.4, above, should Lessor exercise rights available to it by law, or under this Lease, to terminate this Lease and all of Lessee's rights hereunder, such termination shall be without compensation to Lessee for any remaining value of this Lease or any leasehold improvements on the Premises, and title to such improvements will automatically revert to Lessor as provided in Paragraph 11.2 above. Lessee shall execute such documents as may be necessary to effectuate the transfer of title to the improvements and hereby appoints Lessor as its attorney-in-fact to execute such documents on Lessee's behalf.

17. [Intentionally Omitted.]

18. Appreciation Rent

18.1. Intention of the Parties.

The parties agree that upon the occurrence of certain events as set forth in Sections 18.2 and 18.3, if Lessee receives cash proceeds as a result of such events, Lessor shall receive a portion of such proceeds as Appreciation Rent. For these purposes, receipt by Lessee of value in a form other than cash will be treated as receipt by Lessee of the cash equivalent of such value.

18.2 Payment Upon Financing.

If Lessee borrows money whose repayment is secured, directly or indirectly, by Lessee's leasehold interest hereunder, Lessee shall pay Lessor a sum equal to ten percent (10%) of the Net Financing Proceeds as Appreciation Rent. Such Appreciation Rent shall be due and payable immediately upon the funding of the loan, and shall be payable in addition to any other sums payable by Lessee under this Lease. The foregoing provisions of this Paragraph 18.2 shall not apply to the first refinancing during the Lease Term, provided it closes during the first ten (10) years of the Lease Term, or any foreclosure or deed in lieu of foreclosure with respect to such financing.

18.3. Payment Upon Assignment.

If Lessee sells or assigns its interest in this Lease, directly or indirectly, Lessee shall pay Lessor a sum equal to ten percent (10%) of the Net Sale Proceeds as Appreciation Rent. Such Appreciation Rent shall be due and payable immediately upon the closing of the sale or assignment, and shall be payable in addition to any other sums payable by Lessee under this Lease. This obligation shall apply to all sales or conveyances, including, without limitation, conveyances of fractional ownership interests in Lessee, to the extent that the sale or assignment results in proportional Net Sales Proceeds over the investment of the selling partner or member; provided, however, that during the first eighteen (18) months of the Lease Term, the obligation to pay Appreciation Rent shall not apply to any transaction by which one Constituent Member of Lessee, or an Affiliate thereof, acquires, directly or indirectly, all of the interest in Lessee held by the other Constituent Member, and no such transaction shall be deemed to increase the Base Value. For these purposes, an Affiliate of a Constituent Member shall mean an entity controlling, controlled by, or under common control with such Constituent Member, where "control" means the sole ability, without the approval of any other entity, to direct the ordinary business of the controlled entity. For purposes hereof, if Lessee receives proceeds pursuant to a condemnation or eminent domain proceeding, Appreciation Rent shall be calculated as if Lessee had sold a portion of its interest in this Lease equal to the portion of the Premises taken by the condemning authority; Appreciation Rent shall be payable based on the excess, if any, of the proceeds over the pro rata portion of the Base Value equal to the portion of interest sold, as calculated above.

18.4. Exempted Transactions

Notwithstanding anything to the contrary contained in the foregoing, the obligation to pay Appreciation Rent pursuant to Paragraph 18.3 above shall not apply with respect to the first assignment or other transfer of the Leasehold occurring during the first ten (10) years of the Lease Term (excluding any acquisition by an Affiliate or Constituent Member of an Affiliate described in the previous section).

18.5. Arbitration of Appreciation Rent Disputes.

(a) The arbitration procedure for determination of Appreciation Rent disputes between Lessor and Lessee following a refinancing, sale or assignment of this Lease pursuant to Paragraphs 18.1 or 18.2 above, shall be the same procedure specified for resolution of Percentage Rental renegotiation disputes set forth in Paragraph 5.9 above, except that the period as provided above within which the parties are to jointly appoint a single neutral arbitrator, shall be thirty days commencing to run from the Appreciation Rent Deadline. Further, the arbitrator(s) shall determine the Lessee's Interest in the Premises and thereafter calculate the Appreciation Rent.

(b) The amount owing to Lessor as Appreciation Rent shall be paid out of escrow upon joint instructions of Lessor and Lessee using the arbitrators' decision as the basis of the instruction, within ten (10) days following delivery of the arbitrators' written decision to Lessee and Lessor.

NOTICE: BY INITIALING IN THE SPACE BELOW, YOU ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THE "ARBITRATION OF APPRECIATION RENTS 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 BY 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 VALUATION 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 APPRECIATION RENT DISPUTES" PROVISION TO NEUTRAL ARBITRATION.

Lessor's Initials Lessee's Initials

_______________ _______________

19. Condemnation

19.1. Termination on Total Taking

If title to all of the Premises is taken for any public or quasi-public use under any statute, or by right of eminent domain, by any duly empowered public entity, including Lessor, then this Lease shall terminate on the date that possession of the Premises is taken.

19.2. Termination on Partial Taking

If title to so much of the Premises is taken for any public or quasi-public use under any statute or by right of eminent domain by any duly empowered public entity, including Lessor, such that it is economically infeasible for Lessee to use and operate the remaining portion of the Premises for the purposes contemplated by this Lease, Lessee may, at its option, terminate this Lease as of the date that possession of such part of the Premises is taken, provided Lessee shall give written notice to Lessor of its intention, within thirty (30) days following the date that possession of such part of the Premises is taken.

19.3. Adjustment of Rent on Partial Taking

If any part of the Premises shall be so taken and this Lease is not terminated pursuant to the provisions of Paragraph 19.2, above, then this Lease shall, as to the part so taken, terminate as of the date that possession of such part is taken, and the Minimum Monthly Rental payable hereunder shall be abated in the proportion which the percentage rental applicable to the portion of the Premises so taken, payable hereunder for the full twelve (12) month period immediately preceding the month in which such part of the Premises is taken, bears to the total percentage rental payable hereunder for said twelve (12) month period. Pursuant to Paragraph 9.1 above, Lessee shall make all necessary repairs or alterations to the buildings and improvements on that portion of the Premises not taken which is reasonably suitable for Lessee's continued occupancy for the purposes and uses for which the Premises are leased, at its own expense and subject to Lessor's prior approval. Any plans, designs or specifications for such work shall be promptly submitted to Lessor for its review and approval prior to commencement of work; Lessee shall secure, at its own expense, all permits and other approvals required for the work from the Harbor Commission, Lessor and any other agency or governmental authority with jurisdiction over said work, including all actions, studies, assessments and reports that may be required in order to comply with all requirements of CEQA and the California Coastal Act. In performing such work, Lessee shall comply with all laws, ordinances, rules and regulations applicable thereto.

19.4. Allocation of Award

Lessor shall receive all compensation for the condemnation of all or any portion of the Premises by exercise of eminent domain as may be allowed by the law then in force, except as hereinafter provided. Lessee shall be entitled to that portion of the compensation which is granted for the value of the improvements existing on the portion of the Premises subject to the taking, together with the Fair Market Value of the Leasehold attributable to the portion of the Premises taken, for the remainder of the Lease Term, plus any amount specifically awarded for costs or losses Lessee may sustain or incur in the relocation or removal of Lessee's trade fixtures.

19.5. Proration of Rent and Repayment of Security Deposit

If this Lease is terminated pursuant to this Article 19, the rent and all other obligations of Lessee hereunder shall be prorated to the date of termination, including in the event of any partial taking. If Lessee has paid, performed and observed all of Lessee's covenants and obligations hereunder, Lessor shall repay to Lessee the Deposit and any refundable fees and other payments hereunder paid by Lessee for any period beyond the date of termination, including for any partial taking (i.e. Lessee shall be entitled to a partial refund of the Deposit due to a partial taking).

20. Destruction

20.1. Destruction by Non-Insurable Peril

In the event of the destruction, whether total or partial, of any building, structure or other improvement on the Premises, which destruction results from a peril for which Lessee is not required to secure and maintain insurance under the provisions of Article 14 above, and against which Lessee has no insurance in effect at the time of such destruction, hereafter referred to as a "non-insurable peril", Lessee shall be under no obligation to repair, construct, reconstruct or restore said building, structure or other improvement. If Lessee fails to repair or reconstruct any such building, within one hundred eighty (180) days after the event of casualty, Lessor shall have the right to terminate this Lease with respect to the portion of the Premises occupied by such building.

20.2. Destruction of Lessor Owned, Controlled or Maintained Improvement

In the event of the destruction of an improvement or facility owned, controlled or maintained by Lessor, of which the Premises or improvements on the Premises are a part, and which results in the destruction of the Premises, or all or a portion of any building, structure or other improvement on the Premises, Lessor shall be under no obligation to repair, construct, reconstruct, rebuild, or restore its improvement or facility. If Lessor elects not to rebuild or restore its improvements, then, for purposes of this Article 20, the destruction applicable to the Premises shall be deemed to have been caused by a non-insurable peril. Conversely, if Lessor elects to rebuild or restore its improvements and gives written notice of its intention to do so within thirty (30) calendar days from the date of such destruction and, further, provided that the destruction applicable to the Premises was as a result of a peril for which Lessee has insurance or for which Lessee is required to secure and maintain insurance under Article 14, above, then the destruction as to the Premises, whether total or partial, shall be deemed to be by an insurable peril subject to Paragraph 20.6 below.

20.3. Termination or Destruction by Non-Insurable Peril

If the Premises are destroyed as a result of a non-insurable peril to such an extent that it is economically infeasible for Lessee to operate and use the remaining portion of the Premises for the purposes contemplated by this Lease, Lessee may, at its option, terminate this Lease as of the date of such destruction, upon Lessee giving written notice to Lessor of its intention. Such notice. must be given, if at all, within thirty (30) days following the date on which such destruction occurs,

20.4. Proration of Rent and Repayment of Security Deposit and Fees on Termination

If this Lease is terminated pursuant to the provisions of Paragraph 20.3 above, or Article 35, below, the rent and all other obligations of Lessee hereunder shall be prorated to the date of termination. If Lessee has paid, performed and observed all of Lessee's covenants and obligations hereunder, Lessor shall repay to Lessee the Deposit referred to in Article 8, above, and any refundable fees and other payments to Lessor hereunder paid by Lessee for any period beyond the date of termination.

20.5. Adjustment of Rent Upon Less Than Total Destruction by Non-Insurable Peril

If any part of the Premises shall be destroyed by a non-insurable peril and this Lease is not terminated pursuant to this Article 20 or Article 35, below, then this Lease shall, as to the part so destroyed, terminate as of the date of such destruction and the Minimum Monthly Rental payable hereunder shall be abated in the proportion which the Percentage Rental applicable to the portion of the Premises so destroyed, payable hereunder for the full twelve (12) month period immediately preceding the month in which such destruction occurs, bears to the total percentage rental payable hereunder for such twelve (12) month period immediately preceding the month in which such destruction occurs. In such event, Lessee shall, at its own expense, promptly make all necessary repairs or alterations to the buildings or improvements on the Premises which were not destroyed and which are reasonably suitable for Lessee's continued occupancy for the purposes and uses for which the Premises are leased. In so doing, Lessee shall comply with all applicable laws, rules, regulations and procedures, and shall obtain all necessary permits and governmental approvals and the plans for such work shall be submitted to and approved by the Harbor Commission in accordance with the procedure set forth in Paragraph 7.2 above.

20.6. Destruction by Insurable Peril

In the event of the destruction, whether total or partial, of any building, structure or improvements on the Premises as a result of a peril for which Lessee has insurance or for which Lessee is required to secure and maintain insurance under Article 14 above, Lessee, within ninety (90)) days from the date of such destruction, or within ninety (90) days from the date Lessor substantially completes its restoration or rebuilding work if the provisions of Paragraph 20.2 are applicable to the destruction, shall commence the repair, construction, reconstruction or restoration of said building, structure or other improvement and shall prosecute the same diligently to completion. Such repair, construction, reconstruction or restoration shall be completed in accordance with plans prepared by Lessee and submitted to and approved by the Harbor Commission pursuant to procedures set forth in Paragraph 7.2, above, and for which Lessee shall have obtained all necessary permits and governmental approvals. Any such destruction, whether total or partial, shall in no way annul or void this Lease, except that Lessee may be entitled to a reduction of the Minimum Monthly Rental from the date of such destruction and continuing to the completion of such repair, construction, reconstruction or restoration. Such reduction shall be based upon the extent to which the making of such repair, construction, reconstruction or restoration shall interfere with the business conducted by Lessee on the Premises. Lessor shall determine the amount of the rent reduction, if any, in its commercially reasonable discretion, taking into account all rental insurance benefits connected with the Premises and payable to the parties. If the rental insurance required under Paragraph 14.6 above is not in effect at the time of such destruction for any reason, Lessee shall not be entitled to any rent reduction under this Paragraph 20.6.

20.7. Controlling Agreement

This Lease shall be considered an express agreement governing any case of damage to or destruction of buildings, structures or improvements on the Premises by fire or other casualty, and any law which purports to govern the rights of Lessor and Lessee in such a contingency in the absence of express agreement, and any successor or other law of like import, shall have no application.

21. Abandonment

Lessee shall not abandon the Premises at any time during the Lease Term. If Lessee shall abandon the Premises, or be dispossessed by process of law or otherwise, any personal property, including trade fixtures, belonging to Lessee and left on the Premises, or in any building, structure, or other improvements previously existing or made by Lessee on the Premises, shall, at the option of Lessor, be deemed to have been abandoned within the meaning of the California Civil Code and Code of Civil Procedure and, in addition to all rights and remedies allowed by law, Lessor shall have the right to recover from Lessee all costs and expenses incurred and paid by Lessor in disposing of such property, including attorneys' fees and the reasonable value of all services provided by Lessor's employees, elected officials, lease administrators and/or auditors and in-house counsel, connected therewith.

22. Waiver of Breach

No waiver of any breach or default by Lessor or Lessee shall constitute a waiver of any other breach or default, whether of the same or any other covenant or condition. No waiver, benefit or privilege voluntarily given or performed by Lessor or Lessee shall give Lessee or Lessor, as the case may be, any contractual right by custom, estoppel or otherwise. The subsequent acceptance of rent or any other payment pursuant to this Lease shall not constitute a waiver of any preceding default by Lessee other than the default in the payment of the particular rental or other payment so accepted, regardless of Lessor's knowledge of the preceding breach at the time of accepting said payment. Nor shall the acceptance of rent or any other payment due hereunder after termination constitute a reinstatement, extension or renewal of this Lease or revocation of any notice or other act by Lessor, except as expressly agreed to in writing and signed by Lessor,

23. Compliance with the Law

23.1. Rules, Statutes and Ordinances

Lessee and all of its Sublessees shall, in all activities on or in connection with the Premises and in all uses thereof, including the making of any improvements, alterations or changes and the installation of any equipment, abide by and conform to all rules and regulations prescribed by Lessor, the City Charter of Lessor, any ordinances of said Lessor, including, but not limited to, the Building Code, any general rules of the Harbor Department of Lessor, the Harbor Commission, Fire Department and Police Department of Lessor, and any applicable federal or state statutes or municipal laws now in force or which may hereafter be in force. In the event a violation of any such rule, regulation, ordinance, statute or other law is attributable to actions or conduct of any Sublessee of Lessee, Lessee shall not be deemed to be in default under this Lease so long as Lessee acts with diligence to obtain compliance or, if unable to do so, promptly takes steps necessary to remove such Sublessee or cure the violation.

23.2 Judicial Decrees

The final judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding, including arbitrations or administrative proceedings to which Lessee is a party, whether Lessor is a party thereto or not, that Lessee has violated such rules and regulations, ordinance, statute, or other law in the use or occupancy of the Premises, shall be conclusive of the fact as between Lessor and Lessee.

24. Operations

24.1. [Intentionally omitted.]

24.2. [Intentionally omitted.]

24.3. Continuous Operation

Lessee and its Sublessees shall continuously conduct business operations on the Premises and shall keep the Premises open for business and cause such businesses to be conducted thereon during usual business hours of each business day that is customary for businesses of like character in Southern California. Notwithstanding the foregoing, Lessee and its Sublessees are not required to conduct business if prevented from doing so by Force Majeure, or due to temporary interruption for maintenance and repair, renovation, alteration and tenant improvement work permitted under the Lease, but only during the period reasonably required for such work. In addition, the parties acknowledge that the Chart House is only open during dinner hours, and shall not be required to operate during breakfast or lunch hours. All businesses conducted on the Premises shall maintain adequate stocks of merchandise and shall employ sufficient personnel on the Premises to operate all businesses in accordance with sound business practices. Lessee shall use commercially reasonable efforts to obtain and keep desirable tenants for the residential component of the Premises. Lessee shall, so far as reasonably possible, procure references and perform personal credit checks using reputable credit agencies to determine the creditworthiness of prospective residential tenants, investigate such references and review and analyze such credit information, and use good judgment in the selection of prospective residential tenants.

24.4. Public Purpose

In implementing this Article 24, the Harbor Director shall give primary consideration to the public purposes for which Redondo Beach King Harbor and the Harbor Area were established and are maintained.

24.5. Operating Rules

Lessee agrees that it will operate and manage the services and facilities offered on, from or in connection with the Premises in a competent and efficient manner at least comparable to other well-managed, first class operations of similar type. All services shall be available to the public to the fullest extent reasonably possible. Lessee shall at all times retain active, qualified, competent and experienced personnel to supervise Lessee's operation and to represent and act for Lessee. Lessee shall further require its attendants and employees to be properly dressed, clean, courteous, efficient and neat in appearance at all times while on the Premises. Lessee shall not employ any person(s) in or about the Premises who shall use offensive language or act in a loud, boisterous or otherwise improper manner. Lessee shall maintain a close check over attendants and employees to insure the maintenance of a high standard of service to the public and shall replace any employee whose conduct is detrimental to the best interests of the public. Lessee shall indemnify, defend and hold Lessor free and harmless from any and all claims, suits, demands, actions and causes of action arising out of this Lease and which may be made or asserted against Lessor by any employee, or former employee, agent, representative or other person, firm or entity connected with Lessee; provided, however, no obligation of Lessee to defend or indemnify Lessor shall exist to the extent Lessor requires, over the reasonable objection of Lessee, the termination, demotion, or punishment of Lessee's employee .

25. Controlled Prices

Lessee shall at all times maintain a schedule of the prices charged for the use by the public of the facilities on the Premises or for services provided on, from or in connection with the Premises, whether they are supplied by Lessee or by its Subtenants. Lessee shall make the schedule available to the Harbor Director, or his designated representative. The prices shall be fair and reasonable, based upon the following considerations:

(a) The Premises are intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost taking into account the services provided, the available amenities, and the location.

(b) Lessee is entitled to a fair and reasonable return upon its investment pursuant to the Lease.

(c) Consistent with (a) and (b) above, Lessee shall utilize commercially reasonable efforts to maximize revenues from the Premises from existing uses for the mutual benefit of both Lessor and Lessee.

26. Taxes

Lessee shall pay or cause to be paid before delinquency all taxes, assessments or fees levied, assessed or charged upon Lessee or the Premises including those levied, assessed or charged by reason of any buildings, structures, equipment, appliances or other improvements of any nature whatever utilized, erected, installed, or maintained on the Premises, or by reason of the business or other activities of Lessee or its Subtenants upon or in connection with the Premises. Lessee shall further pay or cause to be paid any fees imposed by law for licenses or permits for any business or activity of Lessee or its Subtenants upon or in connection with the Premises or under this Lease. Lessor states and Lessee acknowledges that the interest created in favor of Lessee under this Lease may be a possessory interest subject to taxation under the California Revenue and Taxation Code.

27. Lessee's Association

(a) Lessee agrees to maintain membership and pay dues, fees, and other charges (hereafter "Fees") in the King Harbor Association or any successor association sponsored by Lessor for all lessees within the Harbor Area ("Association") and to pay such Fees, if any, as may be established by the membership, to be used at the direction of the officers of such organization for the promotion of the business and public operations located within the Harbor Area; provided, that under the bylaws of such organization, no matters (including, without limitation, the election of officers and the establishment of Fees) shall be deemed to have been adopted by such organization for purposes of this Article 27 unless approved by a majority of the members of the Association at the time of adoption.

(b) The percentage of payment of Fees to be made by Lessor and Lessee shall be reasonable and the voting power of Lessor or Lessee shall be computed pursuant to the policy set forth by the Association, which policy is subject to modification and amendment from time to time upon the majority vote of the Association members and with Lessor's consent.

28. Waste

Lessee shall not commit, or suffer to be committed, any waste or nuisance upon the Premises.

29. Holding Over

This Lease shall terminate without further notice at the expiration of the Lease Term. Any holding over after the expiration of the Lease Term, or extension thereof, without the prior written consent of Lessor which shall be exercised with commercially reasonable discretion, shall be construed to be a tenancy from month to month, at a monthly rental equal to one hundred fifty percent (150%) of the Minimum Monthly Rental rate in effect at the expiration of this Lease and shall otherwise be on the terms and conditions herein specified, so far as applicable. Such holding over shall not include any time reasonably employed by Lessee in the removal of trade fixtures in the manner provided in Paragraph 11.2 for such removal. Any holding over by Lessee after expiration of the Lease Term shall not constitute a renewal or extension of this Lease or give Lessee rights in or to the Premises, except as otherwise expressly provided in this Lease.

30. Extension of Lease Term

Unless otherwise expressly agreed in a writing signed by the parties, Lessee shall have no right or option to extend the Lease Term.

31. Non-Discrimination

Lessee shall not discriminate against any person or class of persons by reason of sex, race, color, religion, creed, national origin, ancestry, age, disability, physical handicap, sexual orientation, medical condition or marital status. Lessee shall make its accommodations, services and facilities available to the public on fair and reasonable terms,.

32. Notices

Any and all notices or demands by or from Lessor to Lessee, or Lessee to Lessor, shall be in writing. They shall be served either personally, by pre-paid commercial courier providing receipt or by certified mail, postage prepaid, return receipt requested. If personally served, service shall be conclusively deemed made at the time of service. If served by certified mail or commercial courier, service shall be conclusively deemed upon delivery addressed to the party to whom such notice or demand is to be given, as hereinafter provided. Any notice or demand shall be given as follows:

If to Lessor:
City of Redondo Beach
City Hall
415 Diamond Street
Redondo Beach, California 90277

With copies to the following at the same address: City Attorney and Harbor Department Director

If to Lessee:
c/o The Bascom Group LLC
42 Corporate Park Drive, Suite 200
Irvine, California 92606
Attn: David S. Kim

With a copy to:
Landry's Restaurants
CHLN, Inc.
c/o Landry's Restaurants, Inc.
1510 West Loop South
Houston, Texas 77027
Attn: General Counsel

(b) Any notice or demand given to Lessee by Lessor shall also be given contemporaneously to any encumbrance holder of Lessee at such addresses as Lessee shall specify to Lessor in writing. All addresses provided herein may be changed by written notice given in the manner provided herein.

(b) Any notice to Landry's Restaurants shall be required only if the subject of the notice pertains to the operation or maintenance of the Chart House restaurant.

33. Coastal Commission Permits

Upon surrender, expiration or termination of this Lease, Lessee shall assign to Lessor all of Lessee's right and interest in and to any coastal permits issued in connection with the Premises and shall execute any and all documents required by Lessor or any other governmental entity to complete said assignment.

34. Reservations to Lessor

(a) The Premises are accepted by Lessee subject to any and all existing easements, encumbrances, trusts, covenants and restrictions of record. Lessor reserves the right to install, lay, construct, maintain, repair and operate such sanitary sewers, drains, storm water sewers, pipelines, manholes and connections; water, oil and gas pipelines; telephone, telegraph, cable television and power lines; and the appliances and appurtenances necessary or convenient in connection therewith, in, over, upon, through, across and along the Premises or any part thereof, and to enter the Premises for any and all such purposes, provided that the exercise of such rights by Lessor: (i) have no adverse economic impact upon the operation of the Premises, (ii) do not block or otherwise obstruct the view from any residential unit or from the restaurant improvements, (iii) do not otherwise disrupt or interfere with the use and/or operation of the Premises by Lessee or its Subtenants, or (iv) increase the costs of owning, maintaining or operating the Premises.

(b) Lessor agrees that rights granted to third parties by reason of this clause shall contain provisions, among others provided for herein, that the surface shall be restored as nearly as practicable to its original condition upon the completion of any construction.

(c) Lessor reserves to itself, for the benefit of the public, an easement over any walkways, bikeways, roadways, waterways, parking areas and other portions of the Premises which must be open and accessible to the public in order to facilitate and promote the public's use and patronage of the Premises and Harbor Area; provided, however, nothing herein shall create or require any public use or patronage that would impact or interfere with the residential component of the Premises, or require or create any public access to residential areas not normally open to the public.

35. Lessor's Reversionary Option

In the event of a taking of the Premises, or any part thereof under Article 19, above, or a total destruction of the Premises, or a partial destruction of the Premises or any improvements thereon, as described in Article 20, above, to the extent that it is economically infeasible for Lessee to continue to operate and use the remaining portion of the Premises pursuant to this Lease, which condemnation or destruction occurs within the last five (5) years of the Lease Term, Lessee or Lessor may declare a reversion of the leasehold by delivering written notice thereof to Lessee within ninety (90) days from the date of such condemnation or destruction. Should a reversion be declared pursuant to this Article 35, Lessor shall be entitled to the immediate possession and control of the entire Premises, subject to Lessee's right to remove its trade fixtures pursuant to Paragraph 11.2 above. This Lease shall be cancelled and terminated upon such transfer of possession or entitlement to possession of the Premises to Lessor and the parties agree that all compensation for the condemnation and all insurance proceeds payable to either party arising out of or connected with the destruction shall belong to and be the property and entitlement of Lessor, subject to the rights of any encumbrance holder under Section 13.4. Lessee shall thereafter be excused from any further performance under this Lease except for cooperating with and assisting Lessor in taking such action as may be necessary or appropriate to obtain prompt and timely payment of the condemnation award or any insurance proceeds due as a result of the destruction.

36. Successors

Subject to the provisions herein relating to assignment and subletting, each and all of the terms, conditions, and agreements herein contained shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of any and all of the parties hereto; and all of the parties hereto shall be jointly and severally liable hereunder.

37. Captions

The titles or headings to the Articles of this Lease and Table of Contents of this Lease are not a part of this Lease, and shall have no effect upon the construction or interpretation of any part hereof.

38. Time

Time is of the essence of this Lease. Any reference in this Lease to "days" shall refer to calendar days, and not business days or working days unless otherwise specified,

39. Construction

39.1. With respect to all words used herein, the masculine, feminine or neuter gender, and the singular or plural number shall each be deemed to include the others whenever the context so indicates, 39.2. The use of the terms "including," "include," and "includes" followed by one or more examples is intended to be illustrative and shall not be deemed or construed to limit the scope of the classification or category to the examples listed.

39.3. All exhibits attached hereto are incorporated in this Lease and made part of this Lease for all purposes.

39.4. This Lease has been prepared by Lessor and its professional advisors and reviewed by Lessee and its professional advisors. The parties and their advisors believe this Lease is the product of all of their efforts, that it expresses their agreements and that it should not be interpreted in favor of either Lessor or Lessee merely because of their efforts in preparing it.

39.5 The laws of the State of California shall govern the validity, interpretation, performance and enforcement of this Lease, without giving effect to its conflicts of laws principles.

40. Savings Clause

In the event that provision or provisions of this Lease are, or are hereafter adjudged to be, for any reason, invalid or unenforceable, the remaining provisions of this Lease shall continue to exist and remain in full force and effect provided the material intent of the parties is not frustrated by such invalidity or unenforceability.

41. Recordation of Memorandum of Lease

This Lease need not be recorded. A Memorandum of Lease may be recorded in lieu of the recording of the entire Lease. If the Lease is not recorded, the parties agree to execute a Memorandum of Lease in the form attached hereto as **Exhibit H,** or as the parties may otherwise agree, which may be recorded at any time during the Lease Term at Lessee's expense.

42. Estoppel Certificate

(a) Within twenty (20) days after notice from Lessor, Lessee agrees to execute and deliver to Lessor a certificate addressed to such person as Lessor shall specify, stating (i) that this Lease is in full force and effect, (ii) the modifications, if any, to this Lease, (iii) all other agreements between Lessor and Lessee, and (iv) whether Lessee claims any default or breach of this Lease on the part of Lessor. The certificate shall also state (v) the amount of

Minimum Monthly Rental then in effect, (vi) the dates to which Minimum Monthly Rental and Percentage Rental have been paid, (vii) the amount of any security deposits or prepaid rent, and (viii) the fact that percentage rental payments are subject to audit under Paragraph 5.7 above. If Lessee fails to deliver the certificate within twenty (20) days, it shall be conclusively presumed for the benefit of Lessor and the addressee that this Lease is in full force and effect and has not been modified except as may be represented by Lessor, and Lessee shall be deemed to have waived any breach or default of Lessor,

(b) Lessor shall, at no charge, at any time and from time to time hereafter, within forty-five (45) days after written notice from Lessee, execute, acknowledge and deliver to any holder or proposed holder, or any other person, or entity specified in such request, a statement certifying that (i) this Lease is in full force and effect, (ii) the modifications, if any, to this Lease, (iii) all other agreements between Lessor and Lessee, and (iv) whether Lessee claims any default or breach of this Lease on the part of Lessor. The certificate shall also state (v) the amount of Minimum Monthly Rental then in effect, (vi) the dates to which Minimum Monthly Rental and Percentage Rental have been paid, (vii) the amount of any security deposits or prepaid rent, (viii) the fact that percentage rental payments are subject to audit under Paragraph 5.7 above and (ix) the existence of any offsets, counterclaims or defenses on the part of Lessor, (x) the commencement and expiration dates of the term of the Lease, and (xi) any other matters that may reasonably be requested,

43. Amendments

This Lease sets forth all of the agreements and understandings of the parties and supersedes all prior agreements, if any, between the parties concerning the Premises.. Any amendments must be written and signed by the parties and Lessor reserves the right to require that Lessee reimburse Lessor for all costs and expenses incurred in connection with the processing of any amendment to this Lease requested or required by Lessee, including any Lessor Costs.

44. Signatures

This Lease shall be signed by the Mayor and City Clerk of Lessor and by Lessee following due authorization thereof.

45. Execution in Counterparts

This Lease may be executed in two (2) or more counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

46. Force Majeure

No delay or failure in performance by either Lessee or Lessor shall constitute default hereunder or give rise to any claim for damages, if, and to the extent, such delay or failure is caused by Force Majeure. Unless such Force Majeure substantially and materially frustrates performance of this contract, it shall not operate to excuse but only delay performance hereunder. No failure of or delay in performance shall be deemed caused by Force Majeure unless the party claiming Force Majeure gives prompt notice of the occurrence of Force Majeure.

47. Adjustment of Insurance Coverages

(a) The minimum insurance coverages specified in Article 14 shall be adjusted by the increase, if any, from the CPI Index, not more often than once every three (3) years.

(b) The particular insurance coverage specified as identified in paragraph (a), above, shall be calculated as follows: the sum or amount specified in this Lease shall be multiplied by a fraction, the numerator of which shall be the Index of the calendar month prior to the month during which the amount is to be paid or insurance obtained, and the denominator of which shall be the Index for the calendar month of the Commencement Date. The sum so calculated shall be the particular coverage required under this Lease, but in no event shall the particular insurance coverage be less than the coverage as specified in this Lease,

(c) In the event the compilation and/or publication of the Index shall be transferred to any other governmental department or agency, or shall be discontinued, then the substitute index most nearly the same as the Index shall be used to make the calculation, as the parties shall agree. If a substitute index is not specified by the governmental agency or department involved, and the parties cannot agree on a substitute index to be used in place of the Index, then, for purposes of the calculations herein, it shall be assumed that the numerator of the fraction identified in paragraph (b), above, shall have increased by a factor of three (3) points for each twelve (12) month period after the effective date of this Lease.

48. Payments as Additional Rent

All fees, payments, assessments, charges, deposits, damages and other sums payable to Lessor by Lessee under this Lease, including any interest due or accruable thereon, shall be deemed to be additional rent due and payable to Lessor hereunder. The failure to make payment of any such sum when due shall be a default under Paragraph 16.1(a) above, in addition to being a breach of the provision of this Lease wherein the obligation to make said payment is specified. Upon such breach or default, Lessor shall have available to it all rights and remedies provided by law and under this Lease, including the right to terminate this Lease.

49. No Broker

Lessor and Lessee represent that they have not dealt with or through a broker or other agent with respect to the negotiation and entering into this Lease, and that neither party is aware of any such person or entity who claims or is entitled to a finder's fee or commission . arising out of this Lease.

50. Authority

If Lessee is a corporation, limited liability company, or a partnership, those persons executing this Lease. for and on behalf of Lessee represent that they have been authorized and directed to execute this Lease for and on behalf of such corporation, limited liability company, or partnership. Further, if Lessee is a corporation or limited liability company, Lessee shall provide Lessor with a certified copy of the resolution approving this Lease and authorizing the persons signing this Lease to do so for and on behalf of Lessee.

51. Venue

Unless otherwise agreed by Lessor and Lessee, venue for any litigation between the parties shall be exclusively in the federal or state courts with subject matter jurisdiction in Los Angeles County, California.

52. Confidentiality

The parties recognize that certain information and documentation of Lessee is confidential and proprietary, although Lessor has the right to examine such materials under this Lease. Accordingly, Lessee may designate the materials listed on **Exhibit I** as told "Confidential Information." Lessee may keep all such Confidential Information in Lessee's offices in Los Angeles or Orange Counties, but all such Confidential Information shall be available for inspection and copying by lessor's attorneys, accountants, and other agents. All such agents shall be required by Lessor to keep such information and documentation in their own files and not disclose such information to any third party.

53. Third Party Beneficiaries

This Lease is intended to benefit only the parties hereto, and shall not be construed to create any third party beneficiaries.

IN WITNESS WHEREOF, the CITY OF REDONDO BEACH, Lessor herein, has duly authorized this Lease to be executed by its Mayor and City Clerk, and the seal of said City to be affixed, and Lessee has duly authorized and signed this Lease on the date, day and year first hereinabove written.

LESSOR:

CITY OF REDONDO BEACH,
A chartered municipal corporation

By: ______________________ Dated: 8/13/07
Mayor

By: ______________________ Dated: 8/14/07
City Clerk

LESSEE:

RG/BASCOM HARBOR COVE APARTMENTS, LLC,
A Delaware limited liability company

By: COMMONS APARTMENTS, LLC,
a Delaware limited liability company
Its Administrator

By: THE BASCOM GROUP, LLC,
A California limited liability company,
Its Managing Member

By: ______________________ Dated:
Jerome A. Fink,
Managing Member

APPROVED AS TO FORM:

____
~~City Attorney~~ Counsel for the City

IN WITNESS WHEREOF, the CITY OF REDONDO BEACH, Lessor herein, has duly authorized this Lease to be executed by its Mayor and City Clerk, and the seal of said City to be affixed, and Lessee has duly authorized and signed this Lease on the date, day and year first hereinabove written.

LESSOR:

CITY OF REDONDO BEACH,
A chartered municipal corporation

By:______________________________ Dated:
Mayor

By:______________________________ Dated:
City Clerk

LESSEE:

RG/BASCOM HARBOR COVE APARTMENTS, LLC,
A Delaware limited liability company

By: COMMONS APARTMENTS, LLC,
a Delaware limited liability company
Its Administrator

By: THE BASCOM GROUP, LLC,
A California limited liability company,
Its Managing Member

LAILY BOUTALEB
Commission # 1667150
Notary Public - California
Orange County
My Comm. Expires May 18, 2010

By: ______________________________ Dated: 8/8/07
Jerome A. Fink,
Managing Member

APPROVED AS TO FORM:

Beth Walsh
~~City Attorney~~ Counsel for the City

SUBSCRIBED AND SWORN TO BEFORE ME
THIS 8th DAY OF Aug, 2007
BY Jerome A. Fink

NOTARY PUBLIC

C07-72

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Los Angeles } ss.

On August 14, 2007 before me, Susan L. Brown, Notary Public,
Date — Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Mike Gin,
Name(s) of Signer(s)

☑ personally known to me

☐ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

SUSAN L. BROWN
Commission # 1636961
Notary Public - California
Los Angeles County
My Comm. Expires Feb 3, 2010

Place Notary Seal Above

WITNESS my hand and official seal.

Susan L. Brown
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Lease

Document Date: ______ Number of Pages: ______

Signer(s) Other Than Named Above: Jerome Fink, Patrick Walsh, Eleanor Manzano

Capacity(ies) Claimed by Signer(s)

Signer's Name: Mike Gin
- ☐ Individual
- ☑ Corporate Officer — Title(s): Mayor
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other: ______

Signer Is Representing: City of Redondo Beach

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: ______
- ☐ Individual
- ☐ Corporate Officer — Title(s): ______
- ☐ Partner — ☐ Limited ☐ General
- ☐ Attorney in Fact
- ☐ Trustee
- ☐ Guardian or Conservator
- ☐ Other: ______

Signer Is Representing: ______

RIGHT THUMBPRINT OF SIGNER
Top of thumb here