

Lease

ORIGINAL

LEASE

BETWEEN

CITY OF REDONDO BEACH

AND

PORTOFINO HOTEL PARTNERS, L.P.

Commencement Date: April 1, 2006

LEASE

Portofino Hotel & Yacht Club

TABLE OF CONTENTS

	<u>Page</u>
1. IDENTIFICATION.....	1
1a. DEFINITIONS.....	1
2. RECITALS.....	8
3. LEASE OF PREMISES.....	9
4. TERM.....	9
5. RENT.....	9
5.1. Minimum Monthly Rental and Splash Wall Rental.....	9
5.2. Percentage Rental.....	10
5.3. Appreciation Rent.....	11
5.4. Penalties, Late Charges, Interest and Place of Payment.....	11
5.5. Maintenance of Records.....	11
5.6. Monthly and Annual Statements by Lessee, Verification of Records.....	12
Computation, Payment and Correction of Additional Percentage Rental.....	12
5.7. Acceptance Not Waiver; Retention of Records.....	13
5.8. Adjustment of Minimum Rental.....	14
5.9. Adjustment and Renegotiation of Percentage Rental.....	14
ARBITRATION OF PERCENTAGE RENTAL RENEGOTIATION DISPUTES.....	15
5.10. Lessee's Covenant.....	18
5.11. Negation of Partnership.....	18
5.12. No Deduction or Offset.....	18
5.13. Execution Payment.....	18
6. USES.....	18
6.1. Permitted Uses.....	18
6.2. Other Uses.....	19
6.3. Use of Tidelands.....	19
6.4. Valuation of Improvements Upon Termination for Inconsistency with Tidelands Grant.....	20
ARBITRATION OF VALUATION DISPUTES.....	20
7. IMPROVEMENTS TO THE PREMISES.....	21
7.1. Renovation of Existing Leasehold Improvements.....	21
7.2. Planning, Design and Construction of Additional Improvements.....	22
7.3. [Reserved].....	23
7.4. Utilities.....	23
7.5. As-Built Plans and Substantial Compliance.....	24
7.6. Signs.....	24
7.7. Capital Improvement Fund.....	24
8. SECURITY.....	24
8.1. Security Deposit.....	24
8.2. Security for Compliance with Commencement, Development, and Completion of.....	16
Construction of Required and Additional Improvements or Alterations on the Premises.....	16
8A. NEGATION OF WARRANTIES, LESSEE WAIVERS, LITIGATION LIMITATIONS AND STIPULATIONS.....	28
9. LESSEE'S OBLIGATION TO MAINTAIN AND REPAIR.....	29
9.1. Normal Repairs.....	29
9.2. Renovation Fund.....	29
10. MAINTENANCE AND REPAIR BY LESSOR.....	29
10.1. Lessor's Right of Entry for Purposes of Repair.....	29
10.2. Limitations on Lessor's Obligation to Repair.....	30
11. SURRENDER OF PREMISES.....	31

LEASE

Portofino Hotel & Yacht Club

11.1. Lessee's Obligation to Surrender upon Expiration of Lease Term or upon Termination	31
11.2. Ownership of Trade Fixtures upon Expiration or Termination	31
12. TITLE AND WARRANTIES	32
12.1. Disclaimer of Warranties	32
12.2. Lessee's Quiet Possession	32
12.3. Lessee Acknowledgments and Waiver	32
13. ENCUMBRANCE OF LEASEHOLD	33
13.1. Lessee's Right to Encumber To Finance Construction of Additional Improvements or Renovation Program	33
13.2. Lessor's Approval of Encumbrance and Processing Fee	35
13.3. Lessor's Right To Refinance	36
13.4. Rights of the Encumbrance Holder	36
14. INDEMNIFICATION, HOLD HARMLESS AND INSURANCE	40
14.1. Indemnification	40
14.2. Waiver of Claims	40
14.3. Hazardous Substances and Environmental Indemnity	40
14.4. General Liability and Property Damage Insurance	42
14.5. Worker's Compensation Insurance	45
14.6. Rental Insurance	45
14.7. Other Insurance	45
15. ASSIGNMENT AND SUBLETTING	46
15.1. Restrictions on Assignment	46
15.2. Assignments Pursuant to Bankruptcy Code	49
15.3. Restrictions on Subletting	50
15.4. Sublease Form	52
15.5. Restrictions on Subtenants' Right to Encumber	52
15.6. Lessor's Discretion	53
15.7. Assignment and Sublease	53
15.8. Consent Not a Waiver	53
16. DEFAULT	54
16.1. Definition of Default	54
16.2. Lessee's Right to Cure a Default	57
16.3. Lessor Remedies	58
16.4. Right of Re-entry	59
16.5. Percentage Rental upon Default	59
16.6. Lessor's Right to Cure Default	59
16.7. Attorneys' Fees	60
16.8. Right to Legal and Equitable Remedies, Waiver and Judicial Reference	60
16.9. Right of Sublessee	60
16.10.No Lessee Rights After Termination	60
17. Reserved	
18. APPRECIATION RENT	61
18.1. Payment Upon Refinancing	61
18.2. Payment Upon Assignment	61
18.3. ARBITRATION OF APPRECIATION RENT DISPUTES	61
19. CONDEMNATION	63
19.1. Termination on Total Taking	63
19.2. Termination on Partial Taking	63
19.3. Adjustment of Rent on Partial Taking	63
19.4. Allocation of Award	64
19.5. Proration of Rent and Repayment of Security Deposit	64

LEASE

Portofino Hotel & Yacht Club

20.	DESTRUCTION	64
20.1.	Destruction of Non-Insurable Peril.....	64
20.2.	Destruction of Lessor Owned, Controlled or Maintained Improvement	64
20.3.	Termination or Destruction by Non-Insurable Peril	65
20.4.	Proration of Rent and Repayment of Security Deposit and Fees on Termination	65
20.5.	Adjustment of Rent Upon Less Than Total Destruction by Non-Insurable Peril	65
20.6.	Destruction by Insurable Peril	66
20.7.	Controlling Agreement.....	66
21.	ABANDONMENT.....	66
22.	WAIVER OF BREACH.....	67
23.	COMPLIANCE WITH THE LAW	67
23.1.	Rules, Statutes and Ordinances	67
23.2.	Judicial Decrees.....	67
24.	OPERATIONS	68
24.1.	Continuous Operation.....	68
24.2.	Public Purpose.....	68
24.3.	Operating Rules.....	68
25.	CONTROLLED PRICES.....	69
26.	TAXES	69
27.	LESSEE'S ASSOCIATION	69
28.	WASTE	70
29.	HOLDING OVER.....	70
30.	EXTENSION OF LEASE TERM	70
31.	NON-DISCRIMINATION.....	70
32.	NOTICES	70
33.	COASTAL COMMISSION PERMITS	71
34.	RESERVATIONS TO LESSOR.....	71
35.	LESSOR'S REVERSIONARY OPTION	72
36.	SUCCESSORS.....	72
37.	CAPTIONS	72
38.	TIME	73
39.	CONSTRUCTION	73
40.	SAVINGS CLAUSE	73
41.	RECORDATION OF MEMORANDUM OF LEASE.....	73
42.	ESTOPPEL CERTIFICATE	74
43.	AMENDMENTS.....	74
44.	SIGNATURES	75
45.	EXECUTION IN COUNTERPARTS.....	75
46.	FORCE MAJEURE.....	75
47.	RESERVED	75
48.	ADJUSTMENT OF INSURANCE COVERAGES	75
49.	PAYMENTS AS ADDITIONAL RENT	76
50.	NO BROKER	76
51.	AUTHORITY.....	76
52.	VENUE.....	76
53.	ASSUMPTION OF RISK.....	76
54.	ADDITIONAL MARINA REQUIREMENTS.....	77
55.	EXHIBITS.....	78

LEASE
PORTOFINO HOTEL & YACHT CLUB

1. Identification

This Lease ("Lease") is made and entered into effective as of April 1, 2006, by and between Lessor and Lessee.

1A. 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 Subtenants 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 "C" 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: the sum of (i) the greater of (A) Thirty Million Dollars (\$ 30,000,000) prior to the completion of Renovation 2006 or (B) Forty Three Million Dollars (\$ 43,000,000) upon completion of Renovation 2006, and (ii) sums to be invested for Permitted Capital Expenditures and Permitted Renovations;

(f) Capital Improvement Fund: an impound account to be created, funded and held by Lessee of a sum equal to one percent (1%) of Gross Sales each month and which shall be used only for Permitted Capital Expenditures;

(g) CEQA: California Environmental Quality Act;

(h) Coastal Commission: California Coastal Commission;

LEASE

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- (i) Coastal Commission Permit: Coastal Commission permit number 5-05-245;
- (j) Commencement Date: March 1, 2006, 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;
- (k) 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;
- (l) CUP: Conditional Use Permit issued by the City of Redondo Beach for 260 Portofino Way, Resolution No. CC-0504-36, and passed, approved and adopted April 5, 2005;
- (m) Deposit: the sum of the Old Deposit and New Deposit;
- (n) Execution Payment: the sum Lessee shall pay Lessor as additional consideration for agreeing to enter into the Lease which sum shall be Four Hundred Twenty Thousand Dollars (\$ 420,000);
- (o) 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;
- (p) First Class Condition and Repair: a standard of maintenance and repair consistent with a majority of Noble House Hotels & Resorts and, specifically with respect to the marina, a standard of maintenance and repair consistent with first class marinas in southern California of similar age and original construction;
- (q) 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;
- (r) Gross Sales: the total amount of all rent 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, 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.

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To the extent Lessee or any agent, Sublessee, or concessionaire of Lessee (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 Sales, 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 Multi-facility 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 Sales. 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 Sales, or if previously included in Gross Sales for any time period, shall be deducted there from for that time period:

- (i) Taxes collected from customers and paid by Lessee, its agents, Sublessees, concessionaires or licensees;
- (ii) Income derived from the sale or disposal of capital assets, the sale of which will not diminish the value of the Premises;
- (iii) Refundable deposits, unless converted to a sale or nonrefundable deposit;
- (iv) 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;
- (v) Reimbursements paid to Lessee or a merchants' association or tenants' association by its agents, Sublessees, concessionaires or licensees for advertising and publicity, which are not paid in lieu of or reduction of rent and do not otherwise constitute a disguised payment of rent to Lessee where the funds are at all times segregated from Lessee's other funds and are paid to and spent by merchants'

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association or tenants' association; and,

(vi) Credit and cash refunds made on any sale.

(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) 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;

(u) 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 Subtenants;

(v) Initial Rental Period: the period ending March 31, 2009;

(w) Institutional Lender: Nationwide and 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;

(x) Lease Term: 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;

(y) Lender: Nationwide and any subsequent Premises mortgage lender, its successors and assigns, including any Institutional Lender;

(z) Lessee: Portofino Hotel Partners, L.P., a California limited partnership, its permitted successors and assigns;

(aa) [Reserved]

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

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

(ad) Minimum Monthly Rental: the sum equal to Sixty-Six Thousand Seven Hundred Fifty Seven Dollars (\$66,757), subject to adjustment as set forth herein;

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

(af) Nationwide: Nationwide Life Insurance Company, together with its loan participants, affiliates and their successors and assigns;

(ag) Nationwide Loan: a loan agreement, dated as of December 22, 2004, and related documents (including Promissory Note), as the same may be amended from time to time for the finance of the Premises;

(ah) 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) less (b) the greatest of the following: (i) the Base Value (ii) the principal amount of any existing financing that is paid off entirely by the proceeds of the loan; or (iii) the principal amount of any previous financing as to which the Lessor was paid Appreciation Rent.

(ai) 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 greatest of the following: (i) the Base Value; (ii) the purchase price paid by the then current Lessee, or (iii) the principal amount of any previous financing as to which the Lessor was paid Appreciation Rent.

(aj) New Deposit: the sum of Fifty Seven Thousand Seven Hundred Fifty Seven Dollars (\$57,057) which is an amount, in addition to the Old Deposit that shall equal the Deposit and is required under this Lease;

(ak) Non-disturbance Agreement: Lessor Estoppel Certificate, Non-Disturbance and Attornment Agreement and Consent to Deed of Trust, which was executed by Lessor and Lessee on or about December 7, 2004, as the same may be amended and/or restated from time to time;

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(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 Nine Thousand Seven Hundred Dollars (\$9700) paid to Lessor as a security deposit for the Old Lease;

(ao) Old Lease: the Amended and Restated Lease dated December 29, 1986, between Lessee and Lessor, as amended by the First, Second and Third Amendments;

(ap) [Reserved]

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

(ar) Percentage Rental Adjustment Date: March 31, 2007 and each five (5) year anniversary following that date (e.g. March 31, 2012, March 31, 2017);

(as) Permit Holders: Lessee, its successors and assigns, and any other holder of the possessory interest in the development authorized by the Coastal Commission Permit;

(at) Permitted Capital Expenditures: capital expenditures benefiting the Premises which are approved in advance by the Harbor Director or his successor as defined by the City of Redondo Beach municipal code title 12 (as the same may be amended from time to time), which approval shall be made in accordance with the then current policy within the Harbor Area , shall be commercially reasonable and shall not be unreasonably withheld, conditioned or delayed;

(au) Permitted Renovations: renovations benefiting the Premises which are approved in advance by the Lessor's Harbor Director or his successor as defined by the City of Redondo Beach municipal code title 12 (as the same may be amended from time to time), which approval shall be made in accordance with the then current policy within the Harbor Area , shall be commercially reasonable and shall not be unreasonably withheld, conditioned, or delayed, and which shall maintain the improvements, including the docks, in first class condition and repair;

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

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

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

(ay) Records: complete and accurate books, records and accounts of Gross Sales 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. Records 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;

(az) Renovation 2006: the renovation description attached hereto as Exhibit E as the same may be amended or otherwise effected by the California Coastal Commission;

(ba) Renovation Fund: an impound account to be created, funded and held by or on behalf of Lessee of a sum equal to one half of one percent (.5%) of Gross Sales each month and which shall be used only for Permitted Renovations (this account shall be maintained at reputable commercial financial institution and Lessee shall provide a monthly statement of the account to Harbor Director;

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

(bc) Splash Wall: a splash wall designed by Daniel, Mann, Johnson and Mendenhall which was constructed around the southern and western perimeters of the Premises and which is more particularly described as the "seawall" on the design and ALTA/ACSM land title survey by Psomas dated August 15, 2004 and attached hereto as Exhibit A;

(bd) Splash Wall Rental: the sum to be paid annually of Twenty One Thousand Five Hundred Eight Dollars (\$ 21,508);

(be) Sublessees: 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, nor the occupants of marina slips, hotel rooms, or meeting rooms and other public spaces for group meetings and events;

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

(bg) Transfer: any sale, transfer, conversion, redemption or encumbrance of any voting stock or ownership interest in Lessee which either separately or in the aggregate with other such sales, transfers, conversions, redemptions, or encumbrances after the effective date of this Lease or since the last assignment of this Lease, whichever event is the last to occur, and 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 acknowledge, however, that the leasing of parcels in the Harbor Area and the granting of entitlements for the further development of the Harbor Area, whether done by Lessor, Lessee or others, would be a "project" within the meaning of CEQA and requires appropriate 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, the term of which expires on or about March 12, 2042.

(e) On or about January 1988 a casualty occurred on and about the Premises which resulted, in part, in the construction of the Splash Wall

(f) Nationwide and Lessee entered into Nationwide Loan. The Nationwide Loan is secured by a deed of trust on the Premises dated as of December 22, 2004 (and recorded December 23, 2004, recording # 04 3328019) and was consented to by Lessor pursuant to the Old Lease. In addition, Nationwide requested that Lessee and Lessor entered into a Non-disturbance Agreement and which requires Nationwide to consent to this Lease.

(g) 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.

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3. Lease of Premises

Lessor hereby leases to Lessee, and Lessee leases from Lessor, for the period of time and upon the terms and conditions set forth herein, the Premises. 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) The parties acknowledge that Lessee currently occupies the Premises pursuant to the Old Lease, which is scheduled to expire on March 12, 2042. The parties agree that, upon the commencement of the Term of this Lease, the Old Lease shall be terminated automatically and that this Lease shall supersede in all respects 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 and Splash Wall 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.

(b) In addition to the Minimum Monthly Rental, Lessee agrees to pay to Lessor Splash Wall Rental as contribution for the construction of the Splash Wall. Splash Wall Rental shall be paid annually on or before July 1 of each year beginning with July 1 following the Commencement Date and continuing each year thereafter through July 1, 2018. This obligation to pay Splash Wall Rental may be prepaid at any time without penalty.

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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 Sales derived from the Premises by the Applicable Percentage for the use generating such Gross Sales; provided, however, that if a Sublessee, licensee or concessionaire of Lessee generates Gross Sales, the Percentage Rental with respect to the portion of the Premises occupied by that Sublessee, licensee or concessionaire shall be the greater of (i) the product of Sublessee's Gross Sales times the Applicable Percentage for the use that generated the Gross Sales or (ii) the product of Lessee's Gross Sales with respect to that Sublessee (i.e., the rent paid by the Sublessee) times the Applicable Percentage Rent for such rent.

(b) A sublease entitled "Portofino Sublease, Fuel Dock," which is dated as of February 28, 1996, the termination of which is February 28, 2011, currently exists between Jefferson/Acker, Inc. and Lessee for certain portions of the Premises ("Fuel Dock Sublease") and for which the preceding paragraph shall not apply; provided, however, rent, including percentage rent, shall continue to be paid as provided in the Old Lease and the Fuel Dock Sublease and the Fuel Dock Lease shall not be amended without the prior written approval of the Lessor, which it shall not unreasonably withhold, condition or delay.

(c) 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 apartment rentals is 7.5%, the Percentage Rent for that month for that portion of the Premises is \$1,500 ($\$20,000 \times 7.5\%$).

(ii) If a retail store Sublessee generates Gross Sales of \$30,000 in a month and the Applicable Percentage with respect to those Gross Sales is 5.5%, and the Sublessee pays \$4,000 in rent to Lessee and the Applicable Percentage for rent from retail stores is 25%, then the Percentage Rent for the portion of the Premises occupied by that Sublessee is \$1,650 (because $\$30,000 \times 5.5\%$, or \$1,650, is greater than $\$4,000 \times 25\%$, or \$1,000).

(iii) If a retail store Sublessee generates Gross Sales of \$15,000 in a month and the Applicable Percentage with respect to those Gross Sales is 5.5%, and the Sublessee pays \$4,000 in rent to Lessee and the Applicable Percentage for rent from retail stores is 25%, then the Percentage Rent for the portion of the Premises occupied by that Sublessee is \$1,000 (because $\$15,000 \times 5.5\%$, or \$825, is less than $\$4,000 \times 25\%$, or \$1,000).

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(iv) If a retail store Sublessee generates Gross Sales of \$15,000 in a month, of which \$10,000 are from the sale of items for which the Applicable Percentage 7.5%, and \$5,000 are from the sale of items for which the Applicable Percentage 5.5%, and the Sublessee pays \$4,000 in rent to Lessee and the Applicable Percentage for rent from retail stores is 25%, then the Percentage Rent for the portion of the Premises occupied by that Sublessee is \$1,125 (because [\$10,000 times 9%, or \$900], plus [\$5,000 times 5.5%, or \$225], a total of \$1,125, is greater than \$4,000 times 25%, or \$1,000).

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 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 Records 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 customarily lock in sales totals and other transaction records, or with counters that cannot be reset 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

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computers are used, the software must not permit modification of transactions once they are recorded. 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 use a system, e.g. serially numbered tickets, for each such admission or fee that shall enable Lessee to keep an adequate and accurate record of said admissions.

(d) Lessee shall keep all Records related to this Lease at one location within the County of Los Angeles. Lessor may examine and audit the Records at any and all reasonable business times. 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, subject to claim of confidentiality under applicable law. All Records, including any sales tax reports that Lessee and its Sublessees may be required to furnish to any governmental agency, shall be open to the inspection of and copying (at Lessor's expense) by Lessor, Lessor's auditor, or other authorized representative or agent of Lessor at all reasonable times during business hours.

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.

(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 Sales 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 Sales 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 Sales 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

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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 Sales under this Lease shall be attached to the certified statement.

(d) If the Annual Financial Statement discloses that the percentage rental on the Gross Sales 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 Sales reported by Lessee for any calendar month or calendar year was understated by three percent (3%), 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 the audit which is the basis for such Audit Charge, access to documents supporting such audit, and a reasonable opportunity to review and discuss the audit with Lessor and the auditor.

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 Sales 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

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Portofino Hotel & Yacht Club

inspection and copying (at Lessor's expense) as provided herein. Lessor's request for access to Sublessees 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 Subtenants related in any way to operations conducted on or connected with the Premises.

5.8. Adjustment of Minimum Monthly Rental

At the expiration of the Initial Rental Period, the Minimum Monthly Rental shall be adjusted as follows and a new Minimum Monthly Rental shall be paid:

(i) On or before July 1 immediately following the end of the Initial Rental Period, the average of the combined Minimum Monthly Rentals and Percentage Rentals payable during the Initial Rental Period shall be calculated. The Minimum Monthly Rental to be paid in equal monthly installments for each Subsequent Rental Period shall be an amount equal to (A) the greater of seventy percent (70%) of such average total rental paid during the prior three year period or (B) the Minimum Monthly Rental paid by Lessee during the Initial Rental Period adjusted by the increase, if any, in the CPI Index (as of April for the beginning of the Subsequent Rental Period) compared to the index as of April 2006.

(ii) At the expiration of each succeeding Subsequent Rental Period 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 three (3) 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.

(iii) 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

On March 31, 2007 and each Percentage Rental Adjustment Date thereafter, Lessor and Lessee agree to renegotiate an adjustment in the Percentage Rental provided for above for purposes of maintaining the overall commercial reasonableness of the economics of the lease, taking into consideration both the interests of Lessor and Lessee. Such renegotiation shall be conducted in accordance with the following procedure:

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(a) On or before November 1, 2006, but no earlier than October 1, 2006, and each November 1 thereafter (but not before October 1) that immediately precedes the Percentage Rental Adjustment Date, Lessee or Lessor shall submit to the other party in writing its proposed adjustment, if any, in the Percentage Rental rates provided for above. Within thirty (30) days after receipt of such written proposal, the party first receiving the proposed adjustment shall accept, reject or counter such proposal. If the receiving party fails to accept, reject or counter the proposal within the thirty (30) days, the proposing party may send a second notice stating that a failure to respond to the proposal within an additional fifteen (15) days will be deemed approval. The failure of the party to respond to the second notice within such time shall be deemed to have approved the written proposal. Except as to a deemed approval or rejection pursuant to the preceding sentence, any response must be in writing. After receipt of the Response, Lessor and Lessee shall enter into good faith negotiations to agree upon Percentage Rental.

(b) In the event that the parties do not reach an agreement on the amount of increase or decrease, if any, of the Percentage Rental rates on or before the Percentage Rental Adjustment Date, the adjustment of the Percentage Rental rates for the five (5) year period next succeeding shall be determined by arbitration as hereinafter set forth.

ARBITRATION OF PERCENTAGE RENTAL RENEGOTIATION DISPUTES

(i) On or before May 1 immediately following the Percentage Rental Adjustment Date Lessor and Lessee shall jointly appoint a single neutral arbitrator to determine the 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 the parties are unable to agree on one arbitrator before April 1 identified above, on or before ten days later, each party shall appoint one arbitrator and the two arbitrators together shall then determine the 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.

(ii) If the two (2) arbitrators so appointed are unable to agree on all Percentage Rental rates for the uses and operations conducted by Lessee and its Subtenants on the Premises on or before June 1 immediately following the Percentage Rental Adjustment Date, then they shall, in writing, immediately appoint a third arbitrator and the third arbitrator so appointed shall determine the 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 on or before July 30

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immediately following the Percentage Rental Adjustment Date. The fees of the third arbitrator shall be divided equally between the parties.

(iii) If the 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 following the acceptance of the appointment of the third arbitrator, 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, but which shall include an opportunity for each party to be reasonably heard on the issues (including telephonically) shall determine the Percentage Rental rates in dispute, which determination shall be made on or before July 30 immediately following the Percentage Rental Adjustment Date. In making such determination, the third arbitrator may only select the final offer of either Lessee or Lessor as to each category of 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 Percentage Rental rates, assuming that Lessee and its Subtenants are conducting their business operations on the Premises in a commercially reasonable and cost-effective way so as to maximize the rate of return from those operations for both Lessor and Lessee and taking into consideration the execution of the obligations of Lessor and Lessee under the Lease. Said arbitrator or arbitrators shall consider only the 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 Percentage Rental rates determined by the arbitrator(s). The arbitrator(s) so appointed pursuant to the foregoing provisions shall be real estate attorneys, certified public accountants whose practice regularly involves commercial real estate, or members in good standing of the American Institute of Real Estate Appraisers holding an M.A.I. designation and primarily engaged in the business or occupation of appraising or evaluating businesses, real property and improvements. Should any arbitrator(s) be made a party to any legal proceedings arising out of this Article, Lessor and Lessee shall jointly defend, hold harmless and indemnify said arbitrators against any and all costs and expenses incurred in said proceedings.

(v) Lessee and Lessor, and their advisors, shall each cooperate with the other and shall fully and fairly exchange information relevant to the determination of Percentage Rental rates throughout the execution of the arbitration process.

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In determining the Percentage Rental rates the arbitrators may take into consideration the cooperation and failure to cooperate of both 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 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 April 1 next following the applicable Percentage Rental Adjustment Date. 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.

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(d) At the expiration of each succeeding ten (10) year period following a Percentage Rental rate adjustment date specified in paragraph (a), above, of this Article, the Percentage Rental 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 Sales 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

Within ten (10) business days of the Commencement Date, Lessee shall pay Lessor the Execution Payment. Such sum shall be deemed fully earned and nonrefundable upon mutual execution of the Lease, and shall not apply to payment of rent of any kind. Lessee may, at its option, elect to pay the Execution Payment in nine (9) installments, with the first installment payable in the amount of twenty percent (20%) of the Execution Payment within ten days of Commencement of the Lease and the eight subsequent equal annual payments made on or before March 31 of each succeeding year. The unpaid balance shall bear interest at five percent (5%) per annum. All accrued and unpaid interest shall be payable with each payment.

6. Uses

6.1. Permitted Uses

Lessee shall not use, or permit the Premises, or any part thereof, to be used for any purpose or purposes, other than the purposes set forth in **Exhibit D**. The permitted uses

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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.

6.3. Use of Tidelands

If at any time during the Lease Term, or any extension thereof, 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 therefore. 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; provided 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 set forth above 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. Upon such termination, in whole or in part, Lessee shall be entitled to the Fair Market Value of the improvements constructed by Lessee

date of such termination, assuming for the purpose of such value said improvements were capable of being utilized on the Premises for the uses permitted under this Article 6 prior to their becoming inconsistent with the trust and, in addition, Lessee shall be entitled to such amount of damages, if any, as may be allowed by the law then in force. The Fair Market

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the Fair Market Value of such improvements. Except as provided in this Article 6, neither Lessee nor its Sublessees, nor any other person claiming under or through Lessee, shall have any claim against Lessor for damages, whether consequential, incidental or compensatory, arising from a termination of this Lease as to all or any portion of the Premises under this Paragraph 6.3.

6.4. Valuation of Improvements Upon Termination for Inconsistency with Tidelands Grant

The parties shall agree in writing on the amount to be paid for the buildings, structures, installations, and other improvements constructed by Lessee if they are able to do so. If within ninety (90) days after the date on which Lessee receives notice from Lessor of Lessor's decision to terminate this Lease as a result of tidelands inconsistency, or portion thereof, the parties are unable to agree on the amount to be paid, then the dispute shall be determined by arbitration as hereinafter set forth.

ARBITRATION OF VALUATION DISPUTES

(a) The arbitration procedure for determination of valuation disputes between Lessor and Lessee following a termination of this Lease pursuant to Paragraph 6.3, 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 (30) days commencing to run from the date on which Lessee receives notice from Lessor of its decision to terminate this Lease, or portion thereof. Further, the arbitrator(s) shall determine the Fair Market Value of the buildings, structures, installations and other improvements constructed by Lessee, rather than the Percentage Rental rates.

(b) The amount owing to Lessee shall be paid by Lessor in equal monthly installments commencing on the first (1st) day of the fifth (5th) month after termination of this Lease, or portion thereof, but in all events shall be paid in full before expiration of the term of the Nationwide Loan or any subsequent mortgage loan. Interest shall accrue on said amount for the benefit of Lessee at the rate of twelve percent (12%) per annum.


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ARISING OUT OF THE MATTERS INCLUDED IN
THE "ARBITRATION OF VALUATION 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**

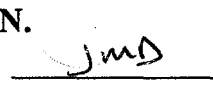
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LITIGATED IN A COURT OR BY JURY TRIAL. BY INITIALING IN THE SPACE BELOW YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THE "ARBITRATION OF VALUATION DISPUTES" PROVISION. IF YOU REFUSE 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 PERCENTAGE RENTAL RENEGOTIATION DISPUTES" PROVISION TO NEUTRAL ARBITRATION.


Lessor's Initials


Lessee's Initials

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, renovate and modernize the existing improvements on the Premises consistent with Renovation 2006.

(b) Lessee shall complete the Renovation 2006 within thirty six (36) months of the later of the date Lessee receives its (i) permit from Coastal Commission for the Renovation 2006 and (ii) its building permits from the City of Redondo Beach for the same. Lessee covenants and agrees to make reasonable efforts to obtain all permits as soon as possible. Any failure by Lessee to complete the Renovation 2006 according to this timetable and for reasons within its reasonable control 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, 2042, but Lessee shall have no other remedies.

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(c) Lessee agrees to spend at least Nine Million Five Hundred Thousand Dollars (\$9,500,000.00) of reasonable, out-of-pocket, third-party costs with respect to such Renovation 2006. Such costs shall include costs associated with the architecture, design, engineering, survey, planning and permitting related to the work reflected in the CUP and Coastal Commission application and may include certain additional costs also incurred prior to execution of this Lease, if approved in writing by Lessor.

(d) The essence of this renovation provision is to retain first class high quality facilities which equal or exceed the quality level of other first class facilities in Southern California and which are compatible with the harbor environment of Redondo Beach King Harbor and the Harbor Area for the full Lease Term, and beyond.

(e) All work required under the renovation program shall be subject to the approval of Lessor and any other agency or governmental authority which has jurisdiction over said work and Lessee shall secure, at its own expense, all permits and other approvals required for 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.

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 said 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 said 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 California 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) Any approval by Lessor of plans, specifications or other designs under this Article shall not constitute approval by Lessor of an application for any building or other permit. In its review of any plan, specification or other design submitted pursuant to the terms of this Lease, 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

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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) 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.

(d) 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 the event the Plans are neither approved nor rejected by Lessor within twenty (20) days after the submission of the Plan Revisions, they shall be deemed approved by Lessor. 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.

(e) 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.

7.3. [reserved]

7.4. 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

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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.

7.5. 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.

7.6. Signs

Neither Lessee nor any of its Subtenants shall construct, maintain, or allow any sign upon the Premises except pursuant to applicable Lessor specifications and as approved by Lessor.

7.7. Capital Improvement Fund

Commencing no later than March 1, 2009, and ending ten (10) years prior to the termination of the Lease, 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 at a time which is or times which are no later than ten (10) years prior to the termination of the Lease Term. To the extent the Lender requires a capital reserve of equal or greater amount that accomplishes the same objectives in a manner consistent with the Capital Improvement Fund, Lessee need not create a separate Capital Improvement Fund as required hereunder but shall meet the other obligations stated in this paragraph, including annual accounting and timing of expenditures. The Capital Improvement Fund shall not be pledged to any third party, except Lender, 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

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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 during the Lease Term any of the rent herein reserved is overdue and unpaid, or any other sum payable by Lessee to Lessor hereunder is overdue and unpaid, then Lessor may, at its option, 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, at its option, apply the Deposit, or so much thereof as may be necessary, to compensate Lessor for all loss, cost, expense or damage sustained by Lessor due to such breach on the part of Lessee, 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 the entire Deposit, or any portion thereof, is applied by Lessor for the payment of overdue rent or other sums due and payable to Lessor by Lessee hereunder, then Lessee shall, within five (5) days after Lessor's written demand, immediately remit to Lessor a sufficient amount in cash to restore the Deposit to its original amount.

(c) If Lessee complies with all of the terms, covenants, and conditions hereof and promptly pays all rent, fees, charges and assessments as they come due, and all other sums payable by Lessee to Lessor hereunder, the Deposit shall be returned 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 reserve, apply or appropriate said deposits, or so much thereof as may be necessary to compensate Lessor for Restoration. In the event 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. Further, should Restoration costs exceed the amount of the Deposit, Lessee shall, within thirty (30) calendar days after receiving a written statement therefore from Lessor, pay Lessor such amount as may be specified in the statement as being reasonably necessary to restore the Premises to said condition.

(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 in such reasonable amounts as Lessor shall determine to be commercially reasonable and necessary to

LEASE

Portofino Hotel & Yacht Club

protect Lessor, the public, the Premises, Redondo Beach King Harbor, the Harbor Area and the environment pursuant to Paragraph 15.3, below. In the event Lessor determines additional deposit monies are so required, Lessor shall give written notice of such determination to Lessee. Lessee shall thereafter pay the additional deposit amount specified in said notice 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 and taking into consideration the cost, duration, size, complexity, scope and contractors working on the improvements, including utilization of conditional and unconditional lien releases and two-party checks. 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 time completion of the project.

(b) Unless expressly waived by written instrument signed by the Harbor Director and approved by the City Attorney for Lessor, if the construction involves funding from a government or public entity 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 said improvements. Notwithstanding the foregoing obligation to provide a bond or bonds, 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 / or the construction not being completed. If Lessee provides such 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

LEASE

Portofino Hotel & Yacht Club

of services provided by employees of Lessor, Lessor's elected officials, in-house counsel, lease administrators and/or lease auditors. For purposes of this paragraph, funding from a government or public entity shall mean any funds provided by Lessor or by any other governmental entity such as a county, the state or the federal government.

(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 at any time during the Lease Term.

(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 which frees the Premises from the claim of the lien and from any action brought to foreclose the lien. Such 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, nor 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 Subtenants connected with this Lease or with the use or occupancy of the Premises and related to construction of said improvements.

LEASE

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8A. Negation of Warranties, Lessee Waivers, Litigation Limitations and Stipulation

(8A.1) 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 be 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.

(8A.2) Lessee further covenants, acknowledges and agrees as follows:

- (i) That Lessor is a charter city formed under and pursuant to the terms and provisions of 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.

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9. Lessee's Obligation to Maintain and Repair

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 any riveted slopes, bulkheads, breakwaters, quaywalls, moles, piers, wharves, pilings or docks within or underlying improvements 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. 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.

9.2. Renovation Fund

Commencing no later March 1, 2011 and ending February 28, 2036, Lessee shall create the Renovation 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 Renovation 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 Renovation Fund. The Renovation Fund shall be fully expended no later than March 1, 2036 on Permitted Renovations. To the extent the Lender requires a capital reserve of equal or greater amount that accomplishes the same objectives in a manner consistent with the Renovation Fund, Lessee need not create a separate Renovation Fund as required hereunder but shall meet the other obligations stated in this paragraph, including annual accounting and timing of expenditures. The Renovation Fund shall not be pledged to any third party, except Lender, nor shall it be used for any purpose other than Permitted Renovations.

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, Harbor Master's storage area located on the Premises and all bulkheads, seawalls and quaywalls which are situated in the Redondo Beach King Harbor and which, if not properly maintained, would have an adverse impact on the Premises, gross receipts or gross sales of Lessee, and to 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 further covenants and agrees to do or cause to be done, 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

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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 or its Subtenants. Lessor shall not be liable to Lessee, or its Subtenants, or any person or entity claiming through Lessee or its Subtenants, 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 Subtenant, or other person claiming under or through Lessee, shall be entitled to any consequential damages arising there from.

(c) If Lessee fails to make repairs or replacements as required in this Lease, Lessor may notify Lessee of said 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, Subtenants and the patrons or visitors of Lessee or its Subtenants.

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

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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, Lessor's liability shall be limited to the costs and expenses of performing such obligation and neither Lessee nor its Subtenants, nor any person claiming under or through Lessee, shall be entitled to consequential damages arising there from 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

Lessee hereby covenants that 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 Subtenants may, at the option of Lessee or its Subtenants, 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.

LEASE

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12. Title and Warranties

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. 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.

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 there from, neither Lessee nor its Subtenants, 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 said 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 Subtenants, other lessees and the public, and that the conduct of such activities shall not be deemed to have disturbed or interfered

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with the possession and use of the Premises by Lessee or its Subtenants, or anyone claiming under Lessee or its Subtenants, or to have caused Lessee or its Subtenants to be evicted, either actually or constructively, from the Premises, and shall, under no circumstances, entitle Lessee, its Subtenants 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.

13. Encumbrance of Leasehold

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

(a) Lessor hereby approves the mortgage granted by Lessee on or about December 22, 2004 to secure a Promissory Note secured by Deed of Trust, as amended in connection with this Lease, in the amount of Twenty Two Million Eight Hundred Seventy Five Thousand Dollars (\$22,875,000), as the same may be increased related to Renovation 2006, in favor of Nationwide Life Insurance Company, its successors and assigns, and which was previously approved by Lessor pursuant to the Non-Disturbance Agreement. Lessor's approval of an increase in the Promissory Note secured by the Deed of Trust as the same may be amended due to Renovation 2006 shall be evidenced by its execution of an amended and/or restated Non-Disturbance Agreement.

(b) If it becomes necessary or desirable for Lessee to secure additional interim or permanent financing for the construction of any required or additional improvements on the Premises or to complete the renovation program under Paragraph 9.2, above, or otherwise, 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 seventy five percent (75%) of the Fair Market Value of Lessee's interest in this Lease and the improvements on the Premises, and Lessee's projections

LEASE
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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 percent (100%) 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;

(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, extended, renewed or otherwise revised, nor shall the mortgage, or any interest therein, be further mortgaged, pledged, encumbered, hypothecated or any security otherwise granted therein, without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed;

(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) nor 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 and related documents 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;

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(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; and

(d) unless prohibited by Lender, 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.

(c) For purposes of this Article, the extension or renewal of existing financing, 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).

(d) 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 must 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.

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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, nor 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.

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

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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,

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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) [reserved]

(g) 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 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 paragraph (g) of Paragraph 13.4, Lessor shall be released from the covenants of forbearance contained herein.

(h) 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.

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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 Nationwide 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 paragraph (h).

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

(j) 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 therefore 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.

(k) 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.

(l) 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.

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14. Indemnification, Hold Harmless and Insurance

14.1. Indemnification

Lessee shall defend, protect, indemnify and hold harmless Lessor, its officers, elected officials, agents, attorneys, volunteers and employees, from and against any and all claims, demands, loss or liability of any kind that Lessor, its officers, elected officials, agents, attorneys and employees, 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, Subtenants, patrons, visitors, or trespassers. If any action or proceeding is brought against Lessor, its officers, elected officials, agents, attorneys or employees 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 Subtenants 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) without Lessor's prior written consent, which consent is hereby given related to the Harbor Master's storage area on the Premises, the requirements and conditions of the Coastal Commission Permit, to ordinary commercially available Hazardous Substances for their use at or sale from the fuel docks, related to emergency generator tanks and related equipment, other similar tankage and the use, storage or sale of commercial products currently available on the Premises, including fuel and oils. Lessor shall exercise its discretion in a commercially reasonable manner and may condition its consent upon Lessee giving Lessor 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

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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 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 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, its officers, elected officials, agents, attorneys or employees, 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. Further, 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 Parties shall fully cooperate with Lessee in the defense, prosecution and resolution of such claims.

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(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 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 reasonable legal, accounting and other professional consulting fees and expenses incurred or paid by Lessor and the value of services provided by employees of Lessor, its officers, elected officials, in-house counsel and lease administrators. 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. Such payment shall be made to Lessor within ten (10) days after Lessee receives Lessor's reasonably detailed written demand for payment.

14.4. General Liability and Property Damage Insurance

(a) In addition to and independently 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 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 combined single limit for (a) bodily injury, each person; (b) bodily injury, each occurrence; and (c) property damage, each occurrence.

(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

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hereafter constructed or installed on or within the Premises by Lessee, any predecessor-in-interest of Lessee, or any Subtenant or assignee of Lessee, subject only to the following exclusions: (a) infidelity or any dishonest act on the part of the insured or employees; (b) war and similar acts of government authority; (c) nuclear reaction, radiation or contamination; (d) volcanic action, landslide or mudflow. 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 all risk insurance, and such insurance was commercially available and economically feasible at the time of the loss, the loss shall be treated as occurring as a result of an insurable peril, as that term is defined in Article 20 below.

(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) calendar days after the Harbor Director of the City of Redondo Beach has received written notice of such cancellation or reduction. 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."

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(d) Lessee agrees to deposit with Lessor, at or before the times at which they are required to be in effect, two copies each of the endorsements, policies, certificate or 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 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. Further, 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.

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(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 Subtenants 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 workers or employees on the Premises or any installation or other improvements of Lessee. 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.

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 (120th) day after the first anniversary date of this Lease, and the one hundred twentieth (120th) 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.

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(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), (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 general partners or members thereof, if the proposed assignee is a partnership or limited liability company, (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,

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(11) such other information and material that evidences that proposed assignee has 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;

(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 Lessor's out-of-pocket costs and overhead expense 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, together with any and all other reasonable administrative, financial, economic, accounting and/or legal costs and fees (including without limitation the value of services provided by employees of Lessor, elected officials, in-house counsel, lease administrators and/or lease auditors) incurred or expended in connection with any such proposed assignment;

(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.

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(b) If Lessee proposes to assign this Lease to any third party, person or entity, except Lender or a wholly-owned subsidiary of Lender, Lessee shall give Notice of Intention to Offer. Lessor shall have ninety (90) days from receipt of the Notice of Intention to Offer within which to give Lessee Notice of Exercise of Right of First Offer. If Lessor fails to give timely Notice of Exercise of Right of First Offer Lessee shall be free to sell or assign its leasehold interest to a third party, person or entity on the terms stated in the Notice of Intention to Offer. If Lessor gives a Notice of Exercise of Right of First Offer it shall be considered an offer to purchase or take assignment of Lessee's interest in the leasehold on the terms and conditions contained in the Notice of Intent to Offer and the closing shall take place within thirty (30) days. For clarity, nothing in this paragraph shall be applicable either to an assignment to Lender or a wholly-owned subsidiary of Lender or any assignment to Lender's first assignee.

(c) Unless expressly waived in writing by Lessor in connection with granting its approval of a proposed assignment of this Lease, the Minimum Monthly Rental and Percentage Rental shall be adjusted effective as of the first day of the first full calendar month following the effective date of the assignment according to the procedures specified for the adjustment and renegotiation of rentals in Article 5 above.

(d) If Lessee is a corporation, a partnership of any kind 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, and 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 said 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.

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(e) 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.

(f) 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.

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.

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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 Sales 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 Sales generated pursuant to each sublease. All subleases entered into by Lessee as sublessor shall provide that:

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(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 Sales 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 Sales 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.

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(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.

(l) 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.

15.4. Sublease Form

Lessee may prepare, and submit to Lessor for Lessor's approval, a standard form of sublease to be used by Lessee in subletting any portion of the Premises. Upon approval of such standard form by Lessor, nothing shall relieve Lessee of the requirement to provide Lessor with such information about the proposed sublease and sublessee as required in Paragraph 15.3. Lessor may, acting in good faith and for legitimate business reasons require that said sublease form previously approved by Lessor, be modified or changed to reflect new or different circumstances connected with the Premises or changes in Lessor's subleasing requirements or procedures. Lessee shall pay a non-refundable fee to Lessor for processing the initial review of Lessee's sublease form and for each modification to Lessee's sublease form thereafter under this Paragraph 15.4 in an amount which is reasonable under the circumstances in light of the size, nature, complexity and expertise required to review said proposed lease, plus Lessor's out-of-pocket expenses paid to third parties such as attorneys, accountants and other consultants connected with the processing of Lessor's review, and the value of services provided by employees of Lessor, its elected officials, in-house counsel and lease administrators.

15.5. 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

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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 Subtenant, 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 Lessor's out-of-pocket expenses paid to third parties such as attorneys, accountants and other consultants connected with the processing of the request for consent, and the value of services provided by employees of Lessor, its elected officials, in-house counsel and lease administrators.

15.6. 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 Subtenants connected with their operations on the Premises and must depend on Lessee's good faith monitoring and reports of such activities.

15.7. 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.

15.8. 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.

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(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. 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.

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 6.2, 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 pay principal and/or interest, or any other sum when due, to a Lender approved by Lessor, taking into account any grace period or rights of waiver or deferral contained in the applicable mortgage documents;

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

(d) 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;

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(e) 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 6.3 above;

(f) 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;

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

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

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

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

(k) 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;

(l) [reserved]

(m) 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;

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

(o) 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;

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

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- (q) 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;
- (r) Encumbering, or attempting to encumber the tide and submerged lands or fee simple title to the Premises, or any part thereof;
- (s) 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;
- (t) 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;
- (u) 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.
- (v) 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 Paragraph 15 above within the time required;
- (w) Permitting any Subtenant to encumber its subleasehold estate without Lessor's prior written consent in violation of Paragraph 15, above within the time required;
- (x) 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;
- (y) Failure to maintain and use the Renovation Fund in accordance with Paragraph 9.2 above;
- (z) Abandonment of the Premises by Lessee at any time during the Lease Term;
- (aa) 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;

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

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

(dd) 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;

(ee) 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;

(ff) 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;

(gg) 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;

(hh) 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;

(ii) 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

(jj) 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,

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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 paragraph (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 Lessee shall immediately pay Lessor a sum of money equal to the amount, if any, by which the then cash value of the rent reserved under this Lease for the balance of the Lease Term exceeds the then cash reasonable rental value of the Premises for the balance of the Lease Term; or

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

(iii) Without terminating this Lease, relet the Premises, or any 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, reasonable attorneys' fees, the reasonable value of services provided by Lessor's employees, officers, elected officials, lease administrators and in-house counsel, any real estate commissions paid, and thereafter to payment of all sums due or to

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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. Lessor may bring an action therefore as such monthly deficiency shall arise. Lessor shall in no event be liable in any way whatsoever for failure to relet the Premises, or in the event that the Premises are relet, for failure to collect the rent therefore 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 Subtenants 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 occurs (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) calendar 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

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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 the bringing 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, specifically granted to it under this Article 16 or reserved or granted to it elsewhere under this Lease, to terminate this Lease and all of Lessee's rights and interest in and to this Lease, the Premises, or the improvements on the Premises, such termination shall be without compensation to Lessee for any remaining value of this Lease or the leasehold improvements now existing or hereafter constructed on the Premises by or under the authority of Lessee, 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

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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.

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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 (i) the increase in the Promissory Note related to Renovation 2006 or (ii) the first refinancing during the Lease Term, provided it closes during the first ten (10) years of the Lease Term.

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. The foregoing provisions of this Paragraph 18.3 shall not apply to the first sale or assignment of its interest in this Lease, provided it closes during the first ten (10) years of the Lease Term, nor shall it apply in connection with any acquisition of the leasehold interest either at foreclosure or by means of a deed-in-lieu of foreclosure.

18.4 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

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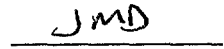
be thirty days commencing to run from the Appreciation Rent Deadline. Further, the arbitrator(s) shall determine the Lessee's Interest in the Premises and thereafter calculate the Appreciation Rent.

(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

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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

Subject to Article 35 below, 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

Subject to Article 35 below, 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 by Lessee and Lessee shall secure, at its own expense, all permits and other approvals required for said 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. Further in the carrying out of all such work, Lessee shall comply with and abide by all laws, ordinances, rules and regulations applicable thereto.

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19.4. Allocation of Award

Lessor shall be entitled to receive and 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. Subject to Article 35 below, Lessee shall be entitled to that portion of the compensation which is granted for (A) costs associated with necessary repairs or alterations as stated in paragraph 19.3 above and (B) the loss of use of those improvements (i) constructed by Lessee and its affiliates pursuant to this Lease and the Old Lease or (ii) acquired by Lessee or its affiliates from former tenants of the Premises, 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. The amount allocated to Lessee for the loss of use of improvements as above provided shall not be less than the greater of (x) the actual improvements stated in (A) and (B) above reduced in the percentage that the proportion of the expired Lease Term bears to the original Lease Term or (y) the debt secured by Lender's security interest in the Premises.

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.

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

LEASE

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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

Subject to Article 35 below, 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

LEASE
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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

Subject to Article 35, below, 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 thirty (30) days from the date of such destruction, or within thirty (30) 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, not to exceed thirty-six (36) months. 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

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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 Subtenants 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. Further, in the event a violation of any such rule, regulation, ordinance, statute or other law is attributable to actions or conduct of any Subtenant 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 Subtenant 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

LEASE

Portofino Hotel & Yacht Club

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 Continuous Operation

Lessee and its Subtenants 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. 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.

24.2 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.

24.3 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. 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. Further, 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.

LEASE

Portofino Hotel & Yacht Club

25. Controlled Prices

(a) The Premises are intended to serve a public use and to provide needed facilities to the public at fair and reasonable cost. Prices charged at the Premises shall be fair and reasonable.

(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 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 any organization that may be organized, formed or sponsored by Lessor for substantially 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

LEASE

Portofino Hotel & Yacht Club

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 and Lessor 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 three (3) times 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

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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, CA 90277
Attention: City Clerk

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

If to Lessee:

Portofino Hotel Partners, L.P.
C/O Noble House Hotels & Resorts
225 108th Avenue NE, Suite 300
Bellevue, WA 98004
Attention: Chief Executive Officer

With a copy to the following at the same address: 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.

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. Lessor also reserves the right to grant franchises, easements, rights of way and permits in, over, upon, through, across and along any and all portions of the Premises, including all rights to air space above the Premises, provided the same do not materially interfere with Lessee's quiet possession as provided above in paragraph 12.2.

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Portofino Hotel & Yacht Club

(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.

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. Further, this Lease shall be cancelled and terminated upon 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 after payment of all sums then due Lender, including any loan balance secured by a security instrument on the Premises. 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.

LEASE
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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 that are referenced as "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 "F,"** or as the parties may otherwise agree, which may be recorded at any time during the Lease Term at Lessee's expense.

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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 accounting, auditing, bookkeeping and computer fees, and expenses, administrative, financial and economic consultant fees, legal fees and the reasonable value of the services provided by Lessor's employees, elected officials, lease administrators, and/or lease auditors and in-house counsel.

LEASE
Portofino Hotel & Yacht Club

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 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.

47. [Reserved]

48. 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.

(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.

LEASE

Portofino Hotel & Yacht Club

49. 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.

50. 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.

51. 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.

52. 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.

53. Assumption of Risk

As a condition of acceptance of the issuance of the Coastal Commission Permit, Coastal Commission requires Lessee to include in this Lease, in a form and content acceptable to the Executive Director, an acknowledgement and agreement of Permit Holders with regard to assumption of risks associated with development covered by the Permit. As so required, Lessee hereby acknowledges and agrees on behalf of Permit Holders, that (i) the Premises may be subject to hazards from waves, storm waves, flooding and erosion, (ii) Permit Holders assume the risks to the applicant and the Premises of injury or damage from such hazards in

LEASE

Portofino Hotel & Yacht Club

connection with the development which is the subject of the Coastal Commission Permit, (iii) Permit Holders unconditionally waive any claim of damage or liability against Coastal Commission, its officers, agents and employees for injury or damage from such hazards, (iv) Permit Holders indemnify and hold harmless the Commission, its officers, agents, and employees with respect to the Commission's approval of the project covered by the Permit against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such hazards, and (v) Permit Holders agree to include a provision in any subsequent sublease or assignment of the development authorized by the Coastal Commission Permit requiring the sublessee or assignee to submit a written agreement to Coastal Commission for the review and approval of the Executive Director incorporating all of the forgoing restrictions identified in (i) through (iv) above.

54. Additional Marina Requirements

As part of the marina renovation approved pursuant to Coastal Commission Development Permit 5-05-245, Lessee shall:

(a) Upon completion of the construction of the marina as part of Renovation 2006, Lessee shall maintain no less than sixty six (66) boat slips in the marina that are less than thirty feet long; and,

(b) Upon completion of the construction of the marina as part of Renovation 2006, Lessee shall reserve two slips within the marina for exclusive use by a non-profit equal opportunity sailing club, deemed acceptable by the Executive Director of the Coastal Commission in consultation with the City of Redondo Beach, that promotes public recreational sailing. No rent shall be charged for the two slips, but the slip tenants (non-profit equal opportunity sailing club) shall be responsible for the payment of utilities and insurance. Before an equal opportunity sailing club is identified, the two slips shall be made available for short-term rental as transient guest docks. In the event that additional public recreational boating facilities are being provided within King Harbor (e.g. mast-up storage, public launch ramp, etc.), Lessee may submit a permit amendment request to the Commission to amend or alter the terms of this paragraph 54 (b).

LEASE
Portofino Hotel & Yacht Club

55. Exhibits

The following are exhibits to this Lease:

#	Paragraph First Appearing	Description	
A	Def. of Splash Wall (2(e))	Psomas Survey	1
B	Def. of Premises (3)	Legal Description of Property	2
C	Def. of Percentage Rental (5.2)	Percentage Rental Categories	1
D	6.1	Permitted Uses	1
E	7.1(a)	Description of Renovation 2006	1
F	41	Form of Memorandum of Lease	6+

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: 

Mayor

Name: Michael A. Gin

Dated: March 8, 2006

By: 

City Clerk

Name: Sandy Forrest

APPROVED AS TO FORM:

By: 

City Attorney, Asst.

Name: Michael Webb
CERYL PARK

LESSEE

PORTOFINO HOTEL PARTNERS,
L.P., a California limited partnership,

By: Westgroup Portofino Associates, L.P.,
a California limited partnership, its general
partner,

By: Westgroup Portofino Partner, Inc.,
a California corporation, its general partner

By: 

John M. Donoghue
Vice President

Dated: March 1, 2006

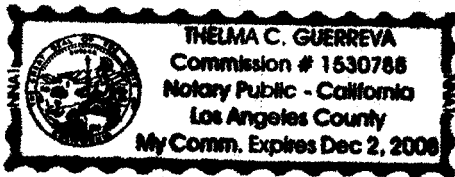
LEASE

Portofino Hotel & Yacht Club

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss.

On March 9, 2006, 2006, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Michael A. Gin personally known to me (or 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.

WITNESS my hand and official seal.



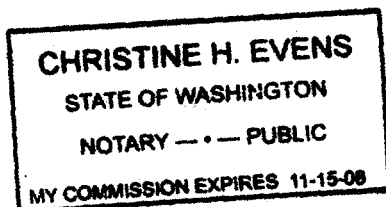
Notary Public in and for said
County and State

Thelma C. Guerrevy

STATE OF WASHINGTON)
)
COUNTY OF KING) ss.

On February 28, 2006, before me, the undersigned, a Notary Public in and for said County and State, personally appeared John M. Donoghue, personally known to me (or 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.

WITNESS my hand and official seal.



Notary Public in and for said
County and State

Christine Evens
Christine Evens

EXHIBIT A

PORTOFINO HOTEL & YACHT CLUB

Psomas Survey

A copy of this exhibit is on file

EXHIBIT B

PORTOFINO HOTEL & YACHT CLUB

Legal Description

(attached)

Legal Description

Real property in the City of Redondo Beach, County of Los Angeles, State of California, described as follows:

That certain parcel of land in the city of Redondo Beach, county of Los Angeles, state of California, more particularly described as follows:

Beginning at a point on an Official Los Angeles County Surveyor's Transit Line which line is described in Los Angeles County Surveyor's Field Book 2100 Pages 21 and 22 and which point is designated as S-12, a point on said Transit Line; thence North 20 degrees 45' 03" West 261.37 feet to a point on the said Transit Line; thence North 77 degrees 23' 54" East 200.97 feet to a point, which point is designated H-1, said H-1 also being South 65 degrees 43' 19" East 46.82 feet from the intersection of the centerline of Hermosa Avenue and the centerline of Tenth Street, as said intersection is shown on the map of Tract 1326, recorded in Book 18 Page 67 of Maps, records of said county and as said intersection is shown in Los Angeles County Surveyor's Field Book No. 1589 Page 134, in the office of the county engineer of said county; thence South 24 degrees 59' 36" East 516.87 feet; thence South 24 degrees 24' 43" East 509.95 feet to a point which point is designated H-2; thence South 27 degrees 07' 16" East 615.37 feet to a point; which point is designated H-3; thence South 65 degrees 54' 45" West 247.41 feet to a point, which point is designated H-8; thence South 16 degrees 39' 50" East 956.81 feet to a point, which point is designated H-10; thence South 73 degrees 21' 10" West 716.01 feet to a point, which point is designated H-11; thence South 58 degrees 09' 30" West 61.05 feet to the true point of beginning; thence South 31 degrees 44' 19" East 172.15 feet, to the beginning of a tangent curve concave Northeasterly and having a radius of 60 feet; thence Southeasterly, along said curve through a central angle of 74 degrees 54' 31", for an arc distance of 78.44 feet; thence tangent to said last mentioned curve, North 73 degrees 21' 10" East 117.50 feet; thence North 16 degrees 38' 50" West 276.60 feet; thence North 73 degrees 21' 10" East 196.69 feet; thence North 16 degrees 38' 40" West 45.00 feet; thence South 73 degrees 21' 10" West 50.00 feet; thence North 16 degrees 38' 40" West 910.87 feet; thence South 73 degrees 21' 20" West 287.01 feet; thence South 16 degrees 38' 40" East 50.00 feet; thence South 73 degrees 21' 20" West 127.94 feet; thence South 32 degrees 44' 55" West 50.32 feet; South 57 degrees 15' 05" East 36.00 feet; thence South 32 degrees 44' 55" West 65.00 feet; thence South 57 degrees 15' 5" East 40.00 feet; thence South 32 degrees 44' 55" West 112.15 feet to the beginning of a tangent curve concave Easterly and having a radius of 60.00 feet; thence Southeasterly along said curve through a central angle of 64 degrees 29' 14" for an arc distance of 67.54 feet; thence tangent to said last mentioned curve South 31 degrees 44' 19" East 730.15 feet to the true point of beginning.

APN: 8940-262-007 and 7503-008-907

11/12
COMMONLY KNOWN AS 260 Portofino Way, Redondo Beach, California 90277-2092

EXHIBIT C

Portofino Hotel & Yacht Club City of Redondo Beach / Portofino Hotel Partners L.P.

PERCENTAGE RENTAL

§	Categories	Percentage
1	Boat slips	27.00
2	Storage Lockers	27.00
3	Boat Brokerage - % of gross commissions	15.00
4	Sale of new boats: a. on 1 st \$400,000 per yr. b. on 400,000 – 600,000 per yr. c. excess \$600,000 per yr.	a. 1.00 b. 1.25 c. 1.50
5	Sale of used boats	1.00
6	Retail sale of marine hardware, accessories, paint, part, tackle	8.00
7	Vending machines	9.00
8	Marine insurance	5.00
9	Service afloat	50.00
10	Apartments, hotels and motel rooms	7.50
11	Packaged liquor, beer & wine	3.00
12	Coffee shop, drive-through restaurant, no alcohol	2.00
13	Office space	10.00
14	Fuel, marine service station	5.50
15	Bait, tackle, ice, sundries & other supplies	5.50
16	Restaurant & bar	3.00
17	Retail sales of sportswear, clothing & souvenirs	5.00
18	Paid parking	30.00
19	Pay toilets	5.00
20	Laundry valet	50.00 (of discount allowed Lessee)
21	Guest Telephone	0.10
22	Slip late fees	27.00
23	Transportation for food: a. from coffee shop: b. from restaurant:	a. 2.00 b. 3.00
24	Car rental commission	50.00
25	Sailing Lessons	7.50
26	Boat & Motor rental a. w/out motor, dry stored b. w motor, dry stored	a. 20.00 b. 12.50
27	Lottery tickets	5.00

EXHIBIT D

Portofino Hotel & Yacht Club City of Redondo Beach / Portofino Hotel Partners L.P.

PERMITTED USES

§	Categories
1	Boat berthing and incidental uses
2	Dry storage of boats
3	Parking of automobiles
4	Public restaurants and/or bars
5	Lockers for storage
6	Offices of administration
7	Public hotel, motel and/or apartments
8	Men's and ladies' restrooms for public use
9	Retail sales consistent with harbor plans
10	Service afloat, small repairs on boats
11	Brokerage for the sale of new and used boats;
12	Insurance
13	Public office space
14	Swimming pools
15	New and used boat sales, and display thereof
16	Marine service station
17	Coffee shops and snack bars
18	Retail sale of marine supplies, tackle, bait, ice, retail sale of clothing, specialties, etc.
19	Other purposes for which Percentage Rental is paid to the Lessor
20	Other lawful purposes for which Lessor grants approval and Lessee and Lessor agree to Percentage Rental, if any, in advance.
21	Motor ,and sailboat lessons
22	Yacht club
23	Boat rental and charter

EXHIBIT E

Portofino Hotel & Yacht Club City of Redondo Beach / Portofino Hotel Partners L.P.

RENOVATION 2006 DESCRIPTION

The Portofino Hotel & Yacht Club is located on a 11.53 acre site which contains a three story hotel with 163 guest rooms, a three story 21 unit apartment building with a detached one story carports, a freestanding two story restaurant, a freestanding one story conference building with underground parking, a small bait/tackle shop, a gas dock and pump out facility and a marina with 232 boat slips.

The Portofino Hotel & Yacht Club will be renovated to achieve the Noble House luxury standard of creating and managing a unique, quality property.

To achieve the Noble House distinction the renovation of The Portofino Hotel will include updating of guest rooms and guest room bathrooms, corridor and lobby, reconfiguration of hotel driveways and parking, landscape and outdoor area enhancements, renovation of the existing docks and add aesthetic and architectural enhancements to the existing hotel, apartment, restaurant and conference center exterior.

The interior renovation of the hotel will include an interior renovation to all 163 existing hotel guest rooms and guest room bathrooms. The renovation of the bathrooms will include new light fixtures, wall and ceiling paint, sinks and vanities, plumbing accessories, artwork and mirrors. The guest rooms will receive new paint, select upgraded furniture pieces, and distinctive oval mirror wall piece. The hotel will also receive new work to the guest room corridors which will include new light fixtures, ceiling and wall paint, carpet and artwork. The existing hotel lobby sitting room will receive new light fixtures, ceiling and wall paint, select pieces of furniture, drapery, and the addition of applied wall moldings.

Restaurant interior renovation to include the new false ceiling beams, wood trim, refinishing of existing flooring, new furniture, new mirrors and artwork, new light fixtures, new ceiling and wall paint and restaurant storage space.

The freestanding Conference Center is to receive new light fixtures, ceiling and wall paint, wallcovering, artwork and mirrors and furniture.

The primary parking area improvements consist of reconfiguring the existing driveways and parking area to create a decorative and functional circular drive with a water feature at the existing porte-cochere. Adjustments of curb lines and parking spaces will also be done to provide the legally required fire lane and emergency vehicle access. The renovation also includes existing landscaping upgrades with the parking areas and the area immediately north of the existing restaurant and other areas will receive extensive landscaping.

The existing docks will be replaced with state of the art concrete docks. The existing 30+ year old docks have fallen into disrepair. The new docks will increase safety for boaters and also give them amenities found in other harbors throughout Southern California such as water, electrical, telephone, cable and internet service. Water and electrical service will be metered to promote conservation.

The exterior improvements to the hotel, apartment building, restaurant and conference center are facade enhancements. The exterior of the hotel will be provided with an updated appearance that will include new paint, new balcony railings, select new doors and windows, and trim work. The apartment building, restaurant and conference center will receive new paint. The overall layout, design and improvements provide a significant improvement over the existing hotel site and will provide an opportunity to upgrade the overall image and appearance of the harbor area.

EXHIBIT F

PORTOFINO HOTEL & YACHT CLUB

Form of Memorandum of Lease

(attached)

Recording Requested By:)
)
)
When Recorded Mail to:)
)
Portofino Hotel Partners, L.P.)
Attn: Scott Vokey)
225 108th Ave. NE, Suite 300)
Bellevue, WA 98004)

This space for Recorder's Use

MEMORANDUM OF LEASE

This Memorandum of Lease ("Memorandum") is made and entered into as of this 7th day of March, 2006, by and between the City of Redondo Beach, a chartered municipal corporation ("Landlord") and Portofino Hotel Partners, L.P., a California limited partnership ("Tenant"). Landlord and Tenant have entered into a Lease with a commencement date of April 1, 2006 ("Lease") concerning that certain property described on Exhibit A attached hereto and incorporated herein ("Property"). The purpose of this Memorandum is to provide recorded notice of the existence of such Lease.

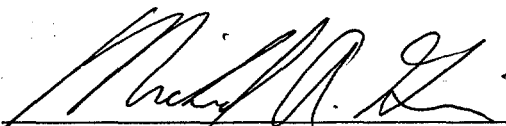
Now, therefore, the parties agree as follows:

1. Landlord hereby leases the Property to Tenant on the terms and conditions set forth in the Lease. Such Lease provides for an initial term of fifty-five (55) years.

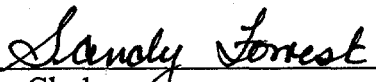
Memorandum of Lease
Portofino Hotel & Yacht Club
Redondo Beach, California

2. This Memorandum shall not change the terms and conditions of the Lease in any way, being intended solely to provide for public notice of the existence of the Lease.

**City of Redondo Beach,
a chartered municipal corporation**

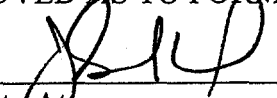
By: 
Mayor
Name: Michael A. Gin

Dated: March 8, 2006

By: 
City Clerk
Name: SANDY FORREST

Dated: 3/8/, 2006

APPROVED AS TO FORM:

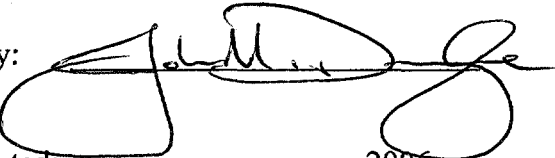
By: 
FOR City Attorney
Name: J. GODDAAD

Dated: 3/8/, 2006

**Portofino Hotel Partners, L.P.,
a California limited partnership**

By: Westgroup Portofino Associates, L.P.,
a California limited partnership
Its general partner

By: Westgroup Portofino Partner, Inc.,
a California corporation
Its general partner

By: 
Dated: _____, 2006

Memorandum of Lease
Portofino Hotel & Yacht Club
Redondo Beach, California

EXHIBIT A

See attachment.

Legal Description

Real property in the City of Redondo Beach, County of Los Angeles, State of California, described as follows:

That certain parcel of land in the city of Redondo Beach, county of Los Angeles, state of California, more particularly described as follows:

Beginning at a point on an Official Los Angeles County Surveyor's Transit Line which line is described in Los Angeles County Surveyor's Field Book 2100 Pages 21 and 22 and which point is designated as S-12, a point on said Transit Line; thence North 20 degrees 45' 03" West 261.37 feet to a point on the said Transit Line; thence North 77 degrees 23' 54" East 200.97 feet to a point, which point is designated H-1, said H-1 also being South 65 degrees 43' 19" East 46.82 feet from the intersection of the centerline of Hermosa Avenue and the centerline of Tenth Street, as said intersection is shown on the map of Tract 1326, recorded in Book 18 Page 67 of Maps, records of said county and as said intersection is shown in Los Angeles County Surveyor's Field Book No. 1589 Page 134, in the office of the county engineer of said county; thence South 24 degrees 59' 36" East 516.87 feet; thence South 24 degrees 24' 43" East 509.95 feet to a point which point is designated H-2; thence South 27 degrees 07' 16" East 615.37 feet to a point; which point is designated H-3; thence South 65 degrees 54' 45" West 247.41 feet to a point, which point is designated H-8; thence South 16 degrees 39' 50" East 956.81 feet to a point, which point is designated H-10; thence South 73 degrees 21' 10" West 716.01 feet to a point, which point is designated H-11; thence South 58 degrees 09' 30" West 61.05 feet to the true point of beginning; thence South 31 degrees 44' 19" East 172.15 feet, to the beginning of a tangent curve concave Northeasterly and having a radius of 60 feet; thence Southeasterly, along said curve through a central angle of 74 degrees 54' 31", for an arc distance of 78.44 feet; thence tangent to said last mentioned curve, North 73 degrees 21' 10" East 117.50 feet; thence North 16 degrees 38' 50" West 276.60 feet; thence North 73 degrees 21' 10" East 196.69 feet; thence North 16 degrees 38' 40" West 45.00 feet; thence South 73 degrees 21' 10" West 50.00 feet; thence North 16 degrees 38' 40" West 910.87 feet; thence South 73 degrees 21' 20" West 287.01 feet; thence South 16 degrees 38' 40" East 50.00 feet; thence South 73 degrees 21' 20" West 127.94 feet; thence South 32 degrees 44' 55" West 50.32 feet; South 57 degrees 15' 05" East 36.00 feet; thence South 32 degrees 44' 55" West 65.00 feet; thence South 57 degrees 15' 5" East 40.00 feet; thence South 32 degrees 44' 55" West 112.15 feet to the beginning of a tangent curve concave Easterly and having a radius of 60.00 feet; thence Southeasterly along said curve through a central angle of 64 degrees 29' 14" for an arc distance of 67.54 feet; thence tangent to said last mentioned curve South 31 degrees 44' 19" East 730.15 feet to the true point of beginning.

APN: 8940-262-007 and 7503-008-907

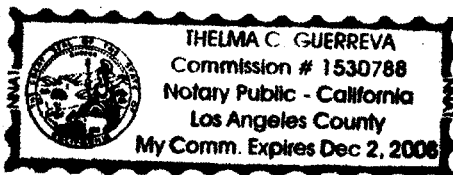
1112
COMMONLY KNOWN AS 260 Portofino Way, Redondo Beach, California 90277-2092

Memorandum of Lease
Portofino Hotel & Yacht Club
Redondo Beach, California

State of California)
)
County of Los Angeles)

On March 9, 2006, before me, Thelma C. Guerrevu, Notary Public, personally appeared Michael A. Gin, ☒ personally known to me or ☐ 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.

WITNESS my hand and official seal.



Thelma C. Guerrevu

State of Washington)
)
County of King)

On February 28, 2006, before me, Christine Evens, Notary Public, personally appeared John M. Donoghue, ☒ personally known to me or ☐ 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.

WITNESS my hand and official seal.

Christine Evens

EXHIBIT A

REAL PROPERTY

Legal Description

Real property in the City of Redondo Beach, County of Los Angeles, State of California, described as follows:

That certain parcel of land in the city of Redondo Beach, county of Los Angeles, state of California, more particularly described as follows:

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APN: 8940-262-007 and 7503-008-907

COMMONLY KNOWN AS 260 Portofino Way, Redondo Beach, California 90277-2092

**Non-Disturbance And Attornment Agreement
And Consent To Deed Of Trust**

**NON-DISTURBANCE AND ATTORNMENT AGREEMENT AND CONSENT TO DEED
OF TRUST**

This Non-Disturbance and Attornment Agreement and Consent to Deed of Trust ("Agreement") is executed by City of Redondo Beach, a chartered municipal corporation ("Lessor") and Nationwide Life Insurance Company, an Ohio corporation, its successors and assigns ("Lender"), whose address is c/o RockBridge Capital, LLC, 4100 Regent Street, Suite G, Columbus, Ohio 43219 this ____ day of _____, 2006.

BACKGROUND INFORMATION

- A. Portofino Hotel Partners, L.P., a California limited partnership ("Lessee") and Lessor entered into a certain Lease Agreement dated December 29, 1986, as amended November 18, 1998 ("First Amendment"), November 1, 1994 ("Second Amendment"), and February 18, 1997 ("Third Amendment"), ("Original Lease"), for certain real property, including the improvements now located or in the future to be located thereon and the appurtenances related thereto, located in Los Angeles County, City of Redondo Beach, California as more particularly described on Exhibit "A" attached hereto and made a part hereof ("Real Property");
- B. Lessee and Lessor have entered into a new lease for the Real Property with a commencement date of April 1, 2006 ("Lease").
- C. As partial security for the loan made by Lender to Lessee ("Loan"), Lessee has executed in favor of Lender a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement, Fixture Filing and Financing Statement recorded on December 24, 2004 as Document Number 04 3328019 (as subsequently amended, the "DOT") with Lender wherein Lessee pledged its leasehold interest in the Real Property and its right, title and interest in the improvements, equipment and personal property of Lessee located or to be located thereon ("Collateral").
- D. In connection with the loan referenced in the DOT, Lessor executed a Lessor Estoppel Certificate, Non-Disturbance and Attornment Agreement dated December 7, 2004 which requires Lender's consent to the execution of the Lease.
- E. As a result of the execution of the new Lease and in contemplation of the potential increase in amount of the Loan, Lender will file an amendment to the DOT to reference the recording of the new Lease and increase the amount of the indebtedness secured by the DOT.
- F. In consideration of Lender's granting its consent to the Lease and for the benefit of Lender, Lessor has agreed to execute this Agreement.

STATEMENT OF AGREEMENT

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lessor and Lender agree as follows:

1. Lender's Right to Cure. If Lessor becomes entitled to terminate the Lease because of any default by Lessee, then Lessor, as a condition precedent to such termination, shall give Lender written notice specifying Lessee's default(s) and Lessor's election to terminate the Lease. In addition to any cure rights set forth in the Lease, Lender then will have the right, but not the obligation, to cure the specified default(s) within a period of thirty (30) days after service of such notice with respect to any defaults that can be cured by the payment of money, and within a period of sixty (60) days after service of such notice with respect to any default that can be cured within sixty (60) days or if said default cannot be cured within sixty (60) days, but Lender commences to cure such default within thirty (30) days after service of such notice and diligently proceeds to effect a cure, in such event the Lender shall have a reasonable period of time to cure the default. If Lender within the applicable time period elects not to cure the specified default(s), or does not effect such cure, Lessor may proceed to terminate the Lease without liability to Lender. If Lender does cure the specified default(s) within the applicable cure period, then the Lease will continue in force and effect notwithstanding Lessor's notice of election to terminate the Lease because of the specified default(s). Neither Lender's undertaking to cure, nor Lender's actual cure, of any and all default(s) will operate to impose any liability upon Lender for any obligation of Lessee under the Lease, unless and until Lender (i) elects otherwise in writing, or (ii) becomes the tenant under the Lease pursuant to a foreclosure or by any proceeding or voluntary conveyance in lieu of foreclosure, or (iii) elects to enter into a new lease with Lessor. Upon acquisition of possession and cure of all of Lessee's specified default(s), the Lease will continue in force and effect notwithstanding Lessor's notice of default. Nothing contained herein, or any notice or instrument delivered by Lessor to Lender will require Lender to commence or continue any foreclosure or other proceedings, or, if Lender acquires possession of the Real Property in any manner, to continue such possession, if all defaults specified by Lessor in its notice are cured. Possession by a receiver, or other similar official appointed at the instance or with the consent of Lender will constitute possession by Lender for all purposes. The provisions stated herein will apply from time to time throughout the term of the Lease.

2. No Obligation to Cure Personal Defaults of Lessee. Lessor acknowledges and agrees that Lender shall have no obligation to cure any defaults that are personal to Lessee such as Lessee's bankruptcy or Lessee's non-compliance or breach in the performance of Lessee's obligations under Paragraphs 5.2, 5.6 or 5.7 of the Lease as a condition precedent to either Lender's assumption of the Lease or entering into a new, direct lease that is otherwise consistent with the terms of the Lease.

3. Attornment. In the event that Lender succeeds in the interest of Lessee and Lender, its successors or assigns, assumes Lessee's obligations under the Lease, Lessor hereby agrees to attorn to and accept Lender, its successors or assigns, and to recognize Lender, its successors or assigns, as its tenant under the terms of the Lease for the then remaining term of the Lease or, at the option of Lender, enter into a new lease with Lender, its successors and assigns under the same terms and conditions set forth in the Lease; provided, however, that in either event to the

extent of any environmental indemnification binding Lessee shall not apply to Lender, its successors or assigns except to the extent the precipitating event giving rise to such claim arose during the period in which Lender, its successors or assigns had actual possession and control of the Real Property. In the event that any party succeeds in the interest of Lessor under the Lease, Lender hereby agrees to attorn to and accept Lessor, its successors or assigns, and to recognize Lessor, its successors or assigns, as its lessor under the terms of the Lease for the then remaining term of the Lease or, at the option of Lender, enter into a new lease with Lessor, its successors and assigns under the same terms and conditions set forth in the Lease.

4. Amendments to Lease. Without the prior written consent of Lender, which consent shall not be unreasonably withheld or delayed, Lessor shall not amend, modify, terminate or otherwise cancel the Lease, except termination in compliance with Section 1 above.

5. Lessor's Covenants and Agreements. By execution of this Agreement, Lessor hereby agrees for the benefit of Lender, its successors and assigns as follows:

- (a) Lessor hereby consents and agrees to the pledge of Lessee's interest in its leasehold estate pursuant to the terms and conditions of the DOT.
- (b) To the extent that any of the Collateral is affixed to the Real Property, it shall remain personal property notwithstanding the manner in which it is affixed thereto and Lessor consents to the security interest and lien of Lender, its successors and assigns in the Collateral located on, at or about or affixed to the Real Property. This waiver shall apply to any of the Collateral which is already located on, at or about or affixed to the Real Property or may hereafter be located on, at or about or affixed to the Real Property. Lessor is under no obligation and assumes no responsibility to ensure that the Collateral remains on the Real Property.
- (c) So long as the debt secured by the DOT remains outstanding, notwithstanding anything to the contrary in the Lease, in the event of a partial or total destruction of the Improvements or partial taking thereof, which does not result in the termination of the Lease, Lessor and Lender acknowledge and agree that any and all insurance proceeds or condemnation awards shall be solely used for the purposes of restoring the Improvements so damaged or taken by way of eminent domain or under threat thereof to their condition immediately prior to such event of loss.
- (d) With respect to the Collateral, excluding the Real Estate, fixtures and appurtenances thereto, but including Lessee's personal property, equipment and trade fixtures, Lessor hereby waives and releases in favor of Lender and agrees that Lender's liens and security interests in the same, and proceeds thereof, including, but not limited to insurance proceeds and condemnation proceeds, shall be prior and superior to (i) any and all rights of distraint, levy and execution which Lessor may now or hereafter have against Lessee's personal property, equipment and trade fixtures, (ii) any and all liens and security interests which Lessor may now or hereafter

have in Lessee's personal property, equipment and trade fixtures, and (iii) any and all other claims of every nature whatsoever which Lessor may now or hereafter have on or against Lessee's personal property, equipment and trade fixtures for any sums due or to become due to Lessor from Lessee under the provisions of Lease or otherwise.

- (e) Lender may, during the term of the Lease remove Lessee's personal property, equipment and trade fixtures from the Real Property whenever Lender deems it necessary to do so to protect its interest, and Lessor hereby irrevocably grants to Lender the right of entry to the Real Property to remove any of Lessee's personal property, equipment and trade fixtures upon prior reasonable notice to Lessor subject to Lender's agreement to (i) proceed in a good and workmanlike manner, (ii) immediately repair any damage to the Real Property which may be caused by the exercise of its rights hereunder, and (iii) indemnify and hold Lessor harmless from and against any claims, suits, debts, actions or causes of action which result directly or indirectly from the exercise of its rights hereunder.
 - (f) In the event that Lender forecloses upon or obtains the leasehold interest of Lessee and otherwise cures all of the material defaults existing under the Lease pursuant to the terms and conditions of this Agreement, Lender shall have the right to assign the Lease to a successor tenant, who otherwise agrees to conform to the terms and conditions set forth within the Lease upon such other terms and conditions acceptable to Lender, without obtaining the prior written consent of Lessor. Upon such assignment, Lender shall be fully released and discharged from any and all obligations arising under the Lease or resulting from successor tenant's use and occupation of the Real Property, arising after the date of assignment to the successor tenant. Any and all compensation or consideration received by Lender for such assignment shall inure to the sole benefit of Lender.
 - (g) Nothing in this Agreement shall be construed to constitute a lien or encumbrance upon the Lessor's fee interest in the Real Property.
6. The statements contained herein may be relied upon by Lender and Lessor and their respective successors and assigns. The undersigned person hereby certifies that the undersigned is duly authorized to execute and deliver this Lessor Estoppel Certificate and Consent to DOT on behalf of Lessor.
7. As provided in Paragraph 13.1 (a) of the Lease, Lessor hereby consents to an increase in the Promissory Note secured by the DOT by no more than Four Million Five Hundred Thousand Dollars (\$4,500,000).

8. Lessee joins in this Agreement for the purpose of acknowledging and consenting to the terms hereof.

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SIGNATURES ON NEXT PAGE**

EXECUTED, on the date written below by Lessor.

Date: March 8, 2006

APPROVED AS TO FORM:

[Signature]
For CITY ATTORNEY

ATTEST:

Sandy Forrest
CITY CLERK

LESSOR:

CITY OF REDONDO BEACH,
a charter municipality

By: [Signature]

Name: Michael A. Gin

Its: Mayor

LESSEE:

PORTOFINO HOTEL PARTNERS, L.P., a
California limited partnership

By: Westgroup Portofino Associates, a
California limited partnership, its
general partner

By: Westgroup Portofino Partner Inc., a
California corporation

By: _____
Name: _____
Its: _____

LENDER:

NATIONWIDE LIFE INSURANCE
COMPANY, an Ohio corporation

By: [Signature]

Name: _____

Its: _____

PETERA LYNCH
OFFICER MORTGAGE LOAN ADMIN
REAL ESTATE INVESTMENTS

8. Lessee joins in this Agreement for the purpose of acknowledging and consenting to the terms hereof.

**BALANCE OF THE PAGE INTENTIONALLY LEFT BLANK
SIGNATURES ON NEXT PAGE**

EXECUTED, on the date written below by Lessor.

Date: _____, 2006

LESSOR:
CITY OF REDONDO BEACH,
a charter municipality

By: _____
Name: _____
Its: _____

LESSEE:
PORTOFINO HOTEL PARTNERS, L.P., a
California limited partnership

By: Westgroup Portofino Associates, a
California limited partnership, its
general partner

By: Westgroup Portofino Partner Inc., a
California corporation

By: SR Vohry
Name: Scott R. Vohry
Its: Vice President

LENDER:

NATIONWIDE LIFE INSURANCE
COMPANY, an Ohio corporation

By: _____
Name: _____
Its: _____

NOTARY ACKNOWLEDGEMENT ON NEXT PAGE

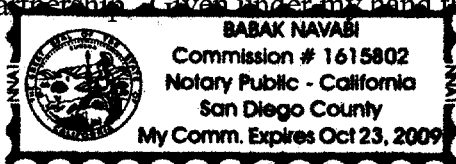
STATE OF CALIFORNIA)
) SS:
COUNTY OF LOS ANGELES)

I, _____, a Notary Public of said County, do certify that _____, who signed the writing annexed here to bearing date of _____, 2006, as _____ of the City of Redondo Beach, a charter municipality, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said charter municipality. Given under my hand this _____ day of _____, 2006.

Notary Public
My Commission Expires: _____

STATE OF California)
) SS:
COUNTY OF San Diego)

I, Babak Navabi, a Notary Public of said County, do certify that VOKEY, SCOTT, who signed the writing annexed hereto bearing date of March 10th, 2006 as Authorized Representative of Westgroup Portofino Partner Inc., a California corporation and general partner of Westgroup Portofino Associates, a California limited partnership and general partner of Portofino Hotel Partners, L.P., a California limited partnership has this day in my said County, before me, acknowledged the said writing to be the act and deed of said limited partnership. Given under my hand this 10 day of March, 2006.



B Navabi
Notary Public
My Commission Expires: _____

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

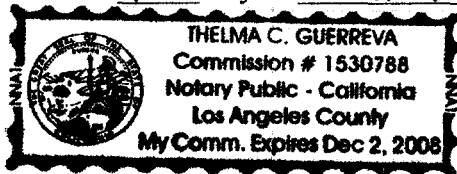
I, _____, a Notary Public of said County, do certify that _____, who signed the writing annexed hereto bearing date of _____, 2006 as the _____ of Nationwide Life Insurance Company, an Ohio corporation has this day in my said County, before me, acknowledged the said writing to be the act and deed of said limited partnership. Given under my hand this _____ day of _____, 2006.

Notary Public
My Commission Expires: _____

NOTARY ACKNOWLEDGEMENT ON NEXT PAGE

STATE OF CALIFORNIA)
) SS:
COUNTY OF LOS ANGELES)

I, Thelma C. Guerra, a Notary Public of said County, do certify that Michael A. Gin who signed the writing annexed here to bearing date of March 8, 2006, as Mayor of the City of Redondo Beach, a charter municipality, has this day in my said County, before me, acknowledged the said writing to be the act and deed of said charter municipality. Given under my hand this 9th day of March, 2006.



Thelma C. Guerra
Notary Public
My Commission Expires: Dec. 2, 2008

STATE OF _____)
) SS:
COUNTY OF _____)

I, _____, a Notary Public of said County, do certify that _____, who signed the writing annexed hereto bearing date of _____, 2006 as Authorized Representative of Westgroup Portofino Partner Inc., a California corporation and general partner of Westgroup Portofino Associates, a California limited partnership and general partner of Portofino Hotel Partners, L.P., a California limited partnership has this day in my said County, before me, acknowledged the said writing to be the act and deed of said limited partnership. Given under my hand this ____ day of _____, 2006.

Notary Public
My Commission Expires:

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

I, Randall W. May, a Notary Public of said County, do certify that Peter A. Lynch, who signed the writing annexed hereto bearing date of _____, 2006 as the Officer - Mortgage Loan Administration of Nationwide Life Insurance Company, an Ohio corporation has this day in my said County, before me, acknowledged the said writing to be the act and deed of said limited partnership. Given under my hand this 2nd day of March, 2006.



Randall W. May
Notary Public
My Commission Expires:
RANDALL W. MAY, Attorney at Law
Notary Public - State of Ohio
My Commission Has No Expiration Date
Sec. 147.03 R.C.

LESSOR ESTOPPEL CERTIFICATE

This Lessor Estoppel Certificate ("Certificate") is executed by City of Redondo Beach, a chartered municipal corporation ("Lessor") this 7 day of March, 2006 for the benefit of Nationwide Life Insurance Company, an Ohio corporation, its successors and assigns ("Lender"), whose address is c/o RockBridge Capital, LLC, 4100 Regent Street, Suite G, Columbus, Ohio 43219.

BACKGROUND INFORMATION

- A. Portofino Hotel Partners, L.P., a California limited partnership ("Lessee") and Lessor entered into a certain Lease Agreement dated December 29, 1986, as amended November 18, 1998 ("First Amendment"), November 1, 1994 ("Second Amendment"), and February 18, 1997 ("Third Amendment"), ("Original Lease"), for certain real property, including the improvements now located or in the future to be located thereon and the appurtenances related thereto, located in Los Angeles County, City of Redondo Beach, California as more particularly described on Exhibit "A" attached hereto and made a part hereof ("Real Property");
- B. Lessee and Lessor have entered into a new lease for the Real Property with a commencement date of April 1, 2006 ("Lease").
- C. As partial security for the loan made by Lender to Lessee ("Loan"), Lessee has executed in favor of Lender a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement, Fixture Filing and Financing Statement recorded on December 24, 2004 as Document Number 04 3328019 (as subsequently amended, the "DOT") with Lender wherein Lessee pledged its leasehold interest in the Real Property and its right, title and interest in the improvements, equipment and personal property of Lessee located or to be located thereon ("Collateral").
- D. In connection with the loan referenced in the DOT, Lessor executed a Lessor Estoppel Certificate, Non-Disturbance and Attornment Agreement dated December 7, 2004 which requires Lender's consent to the execution of the Lease.
- E. As a result of the execution of the new Lease and in contemplation of the potential increase in amount of the Loan, Lender will file an amendment to the DOT to reference the recording of the new Lease and increase the amount of the indebtedness secured by the DOT.
- F. In consideration of Lender's granting its consent to the Lease and for the benefit of Lender, Lessor has agreed to execute this Certificate.

CERTIFICATIONS AND CONSENT OF LESSOR

The undersigned, as the Lessor under the above described Lease, including any modification or amendments thereof hereby certifies, covenants and agrees for the benefit of Lender, its successors and assigns, as of the date hereof, as follows:

1. The Lease is in full force and effect. The Lease has not been amended, modified or supplemented. The Lease represents the entire agreement between the Lessor and Lessee as to the above referenced Real Property. A true and correct copy of the Lease and all amendments and modification to date are attached hereto as Exhibit "B".
2. The monthly rentals currently for the Real Property are as follows:
 - a. Minimum Rental: \$ 66,757. per month;
 - b. Splash Wall Rental: \$ 21,508. ;
 - c. Percentage Rental: Calculated pursuant to section 5.2. of the Lease;
 - d. Additional Rental: \$ N/A ; and
 - e. Execution Payment \$ 420,020 over nine (9) installments (5.13)

All rent and other amounts due under the Lease have been paid through March 1, 2006. With the exception of the Execution Payment, the rentals set forth above are subject to change consistent with the terms of the Lease.

3. The commencement date of the Lease is April 1, 2006. The Lease terminates on March 31, 2061, subject to any un-exercised renewal or extension options under the Lease. Except as expressly set forth in the Lease, Lessee has no option to renew or extend the term of the Lease or terminate the Lease prior to the expiration date set forth above.
4. To Lessor's knowledge, there is (a) no default on the part of Lessor or Lessee under the Original Lease and (b) no event that upon the giving of notice or the passage of time would constitute a default under the Original Lease.
5. To Lessor's knowledge (a) no default on the part of the Lessor or Lessee exists under the Lease, except as follows: _____

_____[if blank none], and (b) no event that upon the giving of notice or the passage of time, or both would constitute a default under the Lease by Lessee or Lessor has occurred, except as follows: _____
_____[if blank, none].
6. To the best knowledge of Lessor, except as set forth above or as contemplated by the DOT, Lessee has not assigned, sublet or transferred any interest under the Lease and/or the Real Property, or any part thereof.

7. No bankruptcy or insolvency proceedings are pending by or against the Lessor and/or no bankruptcy or insolvency proceedings are contemplated by the Lessor.
8. Lessor's fee interest in the real property subject to the terms of the Lease is not presently encumbered by any pledge, assignment, mortgage, deed of trust or similar document or instrument.
9. The address for notices to the Lessor is as follows:

City of Redondo Beach
415 Diamond Street
Redondo Beach, CA 90277-0167
Attention: City Clerk

With copy to:

Harbor Department
City of Redondo Beach
415 Diamond Street
Redondo Beach, CA 90277
Attention: Harbor Properties Director

And with copy to:

Portofino Hotel Partners, L.P.
c/o Noble House Hotels & Resorts
225 108th Avenue NE, Suite 300
Bellevue, WA 98004
Attention: General Counsel

10. The statements contained herein may be relied upon by Lender and Lessor and their respective successors and assigns. The undersigned person hereby certifies that the undersigned is duly authorized to execute and deliver this Certificate on behalf of Lessor.

**BALANCE OF THE PAGE INTENTIONALLY LEFT BLANK
SIGNATURE ON NEXT PAGE**

EXECUTED, on the date written below by Lessor.

Date: March 7, 2006

LESSOR:
CITY OF REDONDO BEACH,
a charter municipality

By: [Signature]
Name: Mike Gin
Its: Mayor

STATE OF CALIFORNIA)
) SS:
COUNTY OF LOS ANGELES)

I, Thelma C. Guerra a Notary Public of said County, do certify that Michael A. Gin
who signed the writing annexed here to bearing date of March 7, 2006, as Mayor
of the City of Redondo Beach, a charter municipality, has this day in my said County, before me,
acknowledged the said writing to be the act and deed of said charter municipality.

Given under my hand this 14th day of March, 2006.

Thelma C. Guerra
Notary Public
My Commission Expires: Dec. 2, 2008

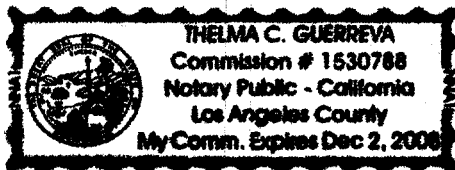


EXHIBIT A

REAL PROPERTY

Legal Description

Real property in the City of Redondo Beach, County of Los Angeles, State of California, described as follows:

That certain parcel of land in the city of Redondo Beach, county of Los Angeles, state of California, more particularly described as follows:

Beginning at a point on an Official Los Angeles County Surveyor's Transit Line which line is described in Los Angeles County Surveyor's Field Book 2100 Pages 21 and 22 and which point is designated as S-12, a point on said Transit Line; thence North 20 degrees 45' 03" West 261.37 feet to a point on the said Transit Line; thence North 77 degrees 23' 54" East 200.97 feet to a point, which point is designated H-1, said H-1 also being South 65 degrees 43' 19" East 46.82 feet from the intersection of the centerline of Hemosa Avenue and the centerline of Tenth Street, as said intersection is shown on the map of Tract 1326, recorded in Book 18 Page 67 of Maps, records of said county and as said intersection is shown in Los Angeles County Surveyor's Field Book No. 1589 Page 134, in the office of the county engineer of said county; thence South 24 degrees 59' 36" East 516.87 feet; thence South 24 degrees 24' 43" East 509.95 feet to a point which point is designated H-2; thence South 27 degrees 07' 16" East 615.37 feet to a point; which point is designated H-3; thence South 65 degrees 54' 45" West 247.41 feet to a point, which point is designated H-8; thence South 16 degrees 39' 50" East 956.81 feet to a point, which point is designated H-10; thence South 73 degrees 21' 10" West 716.01 feet to a point, which point is designated H-11; thence South 58 degrees 09' 30" West 61.05 feet to the true point of beginning; thence South 31 degrees 44' 19" East 172.15 feet, to the beginning of a tangent curve concave Northeasterly and having a radius of 60 feet; thence Southeasterly, along said curve through a central angle of 74 degrees 54' 31", for an arc distance of 78.44 feet; thence tangent to said last mentioned curve, North 73 degrees 21' 10" East 117.50 feet; thence North 16 degrees 38' 50" West 276.60 feet; thence North 73 degrees 21' 10" East 196.69 feet; thence North 16 degrees 38' 40" West 45.00 feet; thence South 73 degrees 21' 10" West 50.00 feet; thence North 16 degrees 38' 40" West 910.87 feet; thence South 73 degrees 21' 20" West 287.01 feet; thence South 16 degrees 38' 40" East 50.00 feet; thence South 73 degrees 21' 20" West 127.94 feet; thence South 32 degrees 44' 55" West 50.32 feet; South 57 degrees 15' 05" East 36.00 feet; thence South 32 degrees 44' 55" West 65.00 feet; thence South 57 degrees 15' 5" East 40.00 feet; thence South 32 degrees 44' 55" West 112.15 feet to the beginning of a tangent curve concave Easterly and having a radius of 60.00 feet; thence Southeasterly along said curve through a central angle of 64 degrees 29' 14" for an arc distance of 67.54 feet; thence tangent to said last mentioned curve South 31 degrees 44' 19" East 730.15 feet to the true point of beginning.

APN: 8940-262-007 and 7503-008-907

2662
COMMONLY KNOWN AS 260 Portofino Way, Redondo Beach, California 90277-2092

EXHIBIT B

LEASE

101227438, Lessor Estoppel February 21 2006
3/1/06 11:25 AM