

C-053

Rolling Hills Plaza Shopping Center/La Caze

FOLDER #3

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626
Attn: Steven W. Cardoza, Esquire

[SPACE ABOVE LINE FOR RECORDER'S USE ONLY]

CONSENT TO ENCUMBRANCE OF LEASEHOLD ESTATE

(City of Torrance)

THIS CONSENT TO ENCUMBRANCE OF LEASEHOLD ESTATE (this "Consent"), dated as of October 29, 1998, is made by the CITY OF TORRANCE, a municipal corporation ("Landlord"), and ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("GECC").

G-053

This Consent is made with reference to the following facts:

A. Landlord is the current holder of the lessor's interest and Tenant is the current holder of the lessee's interest under that certain ground lease described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Lease"). A copy of the Lease has concurrently herewith been delivered to GECC together with a certificate certifying such copy to be true and correct. The Lease covers the real property (the "Property") described in Exhibit "B" attached hereto and made a part hereof.

B. Tenant has applied to GECC for a loan in the principal amount of up to \$57,000,000.00 (the "Loan"), for the purpose of refinancing the existing loan secured by the lessee's interest under the Lease (and for other purposes, as set forth in the Loan Documents for the Loan). The Loan will be secured by, among other things, a Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Leasehold Estate) (the "Deed of Trust") dated as of even date herewith executed by Tenant for the benefit of GECC, and will be evidenced and otherwise governed by the "Loan Documents" described in the Deed of Trust. The Deed of Trust shall be recorded concurrently herewith and shall encumber the leasehold estate (as well as other collateral) and all other present and future rights of Tenant under the Lease and in the Property.

C. A condition to GECC's making of the Loan is Landlord's agreement to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree in favor of Beneficiary (as defined in paragraph 1. below) as follows:

ORIGINAL

1. Consent to Encumbrance of Leasehold Estate. Landlord hereby consents to the Deed of Trust and the hypothecation thereunder of the leasehold estate and all other present and future rights of Tenant in, to and under the Lease and the Property. Landlord also consents to the assignment to Beneficiary of all of Tenant's rights and interests in all present and future subleases of the Property and any improvements thereon and all rentals to become due thereunder as security for the Loan. Landlord further hereby confirms and agrees that the Beneficiary (including any "Permitted Transferees," as defined below) shall be deemed an "Approved Leasehold Mortgagee" under the Lease, and shall be entitled to all the rights and privileges of an Approved Leasehold Mortgagee under the Lease; and the Deed of Trust shall constitute an "Approved Leasehold Mortgage" under the Lease for the entire term of the Loan, notwithstanding any provisions of the Lease which may be construed to the contrary (including, without limitation, Section 21 thereof). Without limiting the foregoing, it is also understood that after the origination of the Loan, GECC intends to directly sell, assign and/or transfer the Loan or a portion thereof and may thereafter cause the further sale, transfer and/or assignment of the Loan or a portion thereof to one or more purchasers, assignees or transferees as either a whole loan transfer or as part of public or private, rated or unrated, mortgage pass-through, pay-through or other mortgage-backed transaction (the "Pass-Through Transfer"). Each such purchaser, assignee or transferee, including any trust to be formed as part of the Pass-Through Transfer, is hereinafter referred to as a "Permitted Transferee". GECC and each such Permitted Transferee are collectively referred to herein as "Beneficiary."

2. No Subordination of Leasehold Interest. Unless Beneficiary otherwise consents in writing, Tenant's leasehold interest shall not be subordinate to any mortgage or deed of trust hereafter imposed on the fee interest in the Property; and all potential future mortgagees encumbering the fee interest or other lienholders are hereby put on notice that any such fee mortgage or other lien shall be subordinate to the Lease, as modified by this Consent, and to the rights of Beneficiary hereunder and under the documents referenced herein.

3. Representations and Warranties. Landlord and Tenant (each for itself only) represent, warrant and certify to Beneficiary that: (a) a true and correct copy of the Lease, and any and all supplements and amendments thereto and modifications thereof, has been delivered to Beneficiary pursuant to a separate certificate; (b) the Lease is genuine, valid and enforceable in accordance with its terms, is in full force and effect as of the date hereof, and has not been supplemented, modified, amended (except as indicated in the certificate delivered to Beneficiary) or terminated; (c) neither Landlord nor Tenant has given or received notice of the occurrence of a default under the Lease, and to the best knowledge of each, there are no defaults, breaches, defenses, claims or offsets thereunder or to the enforcement thereof; (d) rent owing under the Lease which is due as of the date of the execution hereof has been paid in full, and to the best knowledge of each, Tenant is in compliance with all other obligations of the lessee under the Lease; (e) the term of the Lease expires on December 31, 2045; and (f) there are no agreements between Landlord and Tenant affecting the Property other than the Lease; (g) neither Landlord's fee interest nor Tenant's leasehold interest in the Property are subject to any deed of trust, mortgage, or other lien (other than the existing deed of trust held by GECC with respect to the loan that is being refinanced with this Loan); (h) all tenants as of the date hereof constitute approved uses under the Lease; (i) all necessary FAA consents referenced in Section 9.F(2)(f) of the Lease were obtained, and will be obtained in connection with any new construction (as required); (j) the "Minimum Basic Rent" payable under Section 4 of the Lease, as amended by the Second Amendment to Lease dated as of January 23, 1996 (the "Second Amendment"), is the only rental payable under the Lease; (k) taxes, assessments and utility charges with respect to the Property are payable by Tenant as set forth in Section 16 of the Lease; (l) there are no purchase options, rights of first refusal, or extension rights or options under the Lease, other than the extension option set forth in Section 3 of the Lease, as modified by the Third Amendment; (m) no third party has any option or other preferential right to purchase all or any part of either the Landlord's or the Tenant's interest in all or any part of the Property (it being understood that Landlord makes this

representation only as to Landlord's interest, and Tenant makes this representation only as to Tenant's interest); (n) Landlord does not hold any escrows or deposits under the Lease; (o) Landlord has no actual knowledge of any claim by others against the Tenant relating to the Property or its use, except as disclosed in Exhibit C hereto; (p) the Landlord has not received written notice of any pending eminent domain proceedings or other governmental actions or any judicial actions of any kind against the Landlord's interest in the Property; (q) Landlord has not received written notice that it is in violation of any governmental law or regulation applicable to its interest in the Property and its operation thereon, including without limitation, any environmental laws or the Americans with Disabilities Act, and has no reason to believe that there are grounds for any claim of any such violation; (r) the definition of "Gross Rents" in Section 4 of the Lease includes, pursuant to a side letter agreement dated December 16, 1994, a deduction for expenses pertaining to the office building; (s) the Property and all improvements thereon are in full compliance with the height restrictions set forth on Exhibit "D" of the Lease; and (t) the definition of "Lender's Value" set forth in section 29A.(3)(a) of the Lease shall include all indebtedness and obligations owing to Beneficiary in connection with the Loan and secured by the Deed of Trust, whether principal, interest, fees, collection costs or any other sums whatsoever. Tenant (and Landlord, to the best of its knowledge) further represent, warrant and certify to Beneficiary that: (a) Tenant has not assigned, transferred or hypothecated its interest under the Lease (except in favor of Beneficiary), and (b) there are no subleases, licenses, or other agreements (except the Lease) which create rights of occupancy with respect to the Property, which have not been disclosed to Beneficiary in writing. Landlord further represents and agrees in favor of Beneficiary as follows: (a) space within the Property has previously been used for dry cleaning plant and related dry cleaning operations, and Landlord agrees that such past use does not constitute a default under the Lease; and (b) Landlord acknowledges that certain environmental contamination arose from such dry cleaning operations, such environmental contamination has been remediated in a manner acceptable to the Landlord, and Landlord does not intend to use such contamination as a basis for asserting that a default has occurred under the Lease. Tenant further represents that the County of Los Angeles Fire Department has issued a "no action" letter with respect to such environmental remediation. Landlord further represents that it is familiar with that certain Ground Lease dated as of May 15, 1984, by and between Murvale Company, a corporation, and Chevron U.S.A. Inc., a corporation, as lessor, and Rolling Hills Plaza, a California limited partnership, as lessee, which was recorded on October 30, 1990, in the Official Records of Los Angeles County, California as Instrument No. 90-1831777, as amended (the "Chevron-Murvale Lease"), which covers a strip of land 20 feet wide and 1,687 feet long along the eastern border of the Property which contains 121 parking spaces (the "Chevron Strip"). Landlord agrees that should the Chevron/Murvale Lease terminate, or should the Tenant otherwise lose its rights to the use of the parking spaces covered by the Chevron/Murvale Lease, (a) it is the Landlord's intent to allow Tenant (including its successors and assigns, including Beneficiary should it succeed to Tenant's interest) to obtain a variance of any current parking requirements in connection with the Property, or to work with the Tenant (including its successors and assigns, including Beneficiary should it succeed to Tenant's interests) in exploring ways to maintain the Property's compliance with all City requirements relating to parking and the number of available parking spaces without significantly interrupting or altering the operation or use of the Property, and (b) no violation of any applicable set back requirements shall occur.

4. Performance of Obligations Under the Lease. Tenant agrees to perform all obligations of the lessee under the Lease without notice or demand from Beneficiary. Any default by Tenant under the Lease shall automatically be a default under the Deed of Trust and shall entitle Beneficiary to institute foreclosure proceedings thereunder, and Beneficiary may enter into possession of the Property and take whatever steps it deems necessary to correct the default under the Lease. Any expenses incurred by Beneficiary in connection with the enforcement of its rights hereunder or in curing any default under the Lease, including without limitation reasonable attorneys' fees and attendant expenses, shall be due and payable by Tenant to Beneficiary immediately and without

If to Tenant:

Rolling Hills Plaza Venture 96, LLC
c/o La Caze Development Company
2601 Airport Drive, Suite 300
Torrance, California 90505
Attn: Mr. Norman R. La Caze

or to such other address as may be designated by the parties in the manner provided above for giving notice. Notices shall be deemed given upon personal delivery or upon receipt or refusal to accept receipt, as evidenced by the return receipt.

10. Execution of New Consent With Subsequent Lender. Landlord and Tenant agree that they shall execute an agreement containing the same substantive terms, provisions and agreements (including without limitation this provision) as are set forth in this Consent with and in favor of any lender (including without limitation Beneficiary) which (a) provides Tenant with a loan to repay the Loan, or (b) finances all or part of the purchase of Tenant's interest in the Lease (whether such leasehold interest is being sold by Tenant or is sold by Beneficiary or its nominee following a foreclosure under the Deed of Trust). Such agreement shall be provided upon the written request of any such lender and within thirty calendar days of Landlord's and Tenant's receipt of such written request.

11. Miscellaneous. The parties hereto acknowledge that this Consent is a material inducement to Beneficiary to make the Loan to Tenant, and that Beneficiary would not be willing to extend credit upon the security of Tenant's leasehold estate in the absence hereof. Beneficiary is an intended beneficiary of this Consent and the leasehold mortgagee protection provisions of the Lease, and may enforce in its favor all provisions hereof and thereof. This Consent shall inure to the benefit of and be binding upon the successors and assigns of Landlord, Tenant, and Beneficiary. All rights of Beneficiary hereunder may be assigned by Beneficiary without notice to the parties hereto and shall inure to the benefit of Beneficiary's successors and assigns. This Consent may not be supplemented, modified, amended or terminated without Beneficiary's prior written consent. In the event of a conflict between the Lease and this Consent, the provisions of this Consent shall control. Notice of acceptance hereof by Beneficiary is hereby waived. This Consent may be executed and recorded in counterparts.

"Landlord":

THE CITY OF TORRANCE, a municipal corporation

By: 
Dee Hardison, Mayor
[Printed Name and Title]

ATTEST:

By: 
Sue Herbers, City Clerk
[Printed Name and Title]

APPROVED AS TO FORM: JOHN L. FELLOWS III CITY
ATTORNEY

By: *Heather K. Whitham*
Heather K. Whitham, Deputy City
[Printed Name and Title] Attorney

"Tenant":

ROLLING HILLS PLAZA VENTURE 96, LLC, a California
Limited Liability Company

By: RHP Venture, Inc., a Delaware corporation, Managing
Member

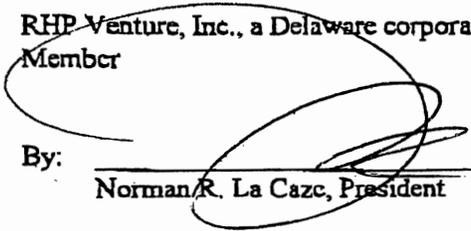
By: 
Norman R. La Cazc, President

EXHIBIT "A"

DESCRIPTION OF LEASE

That certain Lease dated as of October 21, 1987, by and between the City of Torrance (the "City"), as landlord, and Rolling Hills Plaza Shopping Center, a California limited partnership (predecessor to Tenant), as tenant, which was recorded November 3, 1987, in the Official Records of Los Angeles County, California as Instrument No. 87-1761480, as amended by (i) Amendment No. 1 thereto dated August 28, 1990, (ii) Second Amendment to Lease dated January 23, 1996, and (iii) Third Amendment to Lease dated as of July 15, 1997.

EXHIBIT "B"

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the County of Los Angeles, State of California, more particularly described as follows:

PARCEL 1:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE ALONG SAID NORTHERLY LINE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 210.00 FEET; THENCE NORTH 41 DEGREES 14 MINUTES 40 SECONDS EAST 209.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 188.68 FEET TO THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD 100.00 FEET WIDE, SAID STRIP OF LAND DESCRIBED AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2 IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID SOUTHEASTERLY LINE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST 193.04 FEET; THENCE SOUTH 01 DEGREES 50 MINUTES 10 SECONDS WEST 25.39 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION ALONG PACIFIC COAST HIGHWAY MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BEING DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEASTERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID NORTHEASTERLY LINE, SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST, 470.93 FEET; THENCE NORTH 45 DEGREES 36 MINUTES 26 SECONDS WEST, 59.01 FEET TO A POINT OF TANGENCY WITH A CURVE CONCAVE SOUTHWESTERLY AND HAVING

A RADIUS OF 1,828.00 FEET; THENCE NORTHWESTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 3 DEGREES 08 MINUTES 54 SECONDS, AN ARC DISTANCE OF 100.45 FEET TO A POINT OF TANGENCY WITH A LINE BEARING SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST, THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST, 300.00 FEET TO A POINT OF TANGENCY WITH A CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 25.00 FEET; THENCE NORTHWESTERLY, NORTHERLY AND NORTHEASTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 101 DEGREES 11 MINUTES 01 SECONDS, AN ARC DISTANCE OF 44.15 FEET TO A POINT OF TANGENCY WITH A LINE BEARING NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST, SAID LINE BEING THE SOUTHEASTERLY LINE OF THAT PARCEL OF LAND DESCRIBED, AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2, SAID LINE BEING NOW RECOGNIZED AND ACCEPTED AS THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD (100.00 FEET WIDE); THENCE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST, ALONG SAID SOUTHEASTERLY LINE, A DISTANCE OF 16.55 FEET; THENCE SOUTH 1 DEGREES 50 MINUTES 10 SECONDS WEST, 25.39 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID NORTHERLY LINE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 545.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 41 DEGREES 14 MINUTES 40 SECONDS EAST 700.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 125.00 FEET; THENCE SOUTH 41 DEGREES 14 MINUTES 40 SECONDS WEST 74.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 263.58 FEET; THENCE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST 138.64 FEET; THENCE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 85.69 FEET; THENCE SOUTH 41 DEGREES 16 MINUTES 35 SECONDS WEST 90.44 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 156.18 FEET TO A POINT IN THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD, 100.00 FEET WIDE, SAID STRIP OF LAND DESCRIBED AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID SOUTHEASTERLY LINE NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST 932.23 FEET; THENCE SOUTH 37 DEGREE 34 MINUTES 19 SECONDS EAST 246.00 FEET; THENCE NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST 286.66 FEET TO A POINT IN THE EASTERLY LINE OF SAID LOT 1; THENCE ALONG SAID EASTERLY LINE SOUTH 00 DEGREES 11 MINUTES 20 SECONDS WEST 1,671.69 FEET TO THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY; THENCE ALONG SAID NORTHERLY LINE NORTH 89 DEGREES 48 MINUTES 35 SECONDS WEST 26.53 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHERLY; THENCE WESTERLY ALONG SAID CURVE, HAVING A RADIUS OF 1,096.28 FEET, THROUGH A CENTRAL ANGLE OF 41 DEGREES 03 MINUTES 15 SECONDS, A LENGTH OF 785.52 FEET- THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 349.67 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTATING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS

RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

PARCEL 3:

A-NON-EXCLUSIVE EASEMENT, FOR THE PASSAGE AND PARKING OF VEHICLES AND FOR INGRESS AND EGRESS, OVER AND APPURTENANT TO THAT PORTION OF LOT 1 OF TRACT NO. 9765, IN THE CITY OF TORRANCE, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170 PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AS SET OUT AND DELINEATED IN THAT CERTAIN DOCUMENT ENTITLED "OPERATION AND EASEMENT AGREEMENT OF ROLLING HILLS PLAZA," RECORDED OCTOBER 30, 1990, AS INSTRUMENT NO. 90-1831780, OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 4:

THAT PORTION OF THE RANCHO LOS PALOS VERDES, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 2 PAGE 545 OF PATENTS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AS ALLOTTED TO ORIN S. WESTON BY DECREE OF DISTRIBUTION IN THE ESTATE OF B.S. WESTON RECORDED IN BOOK 2838 PAGE 230, OF DEEDS, RECORDS OF SAID COUNTY, BEING A PORTION OF THAT 20-FOOT STRIP OF LAND CONVEYED TO STANDARD OIL COMPANY IN DEED RECORDED IN BOOK 6265 PAGE 311 OF DEEDS, RECORDS OF SAID COUNTY, BOUNDED SOUTHERLY BY THE NORTH LINE OF PACIFIC COAST HIGHWAY, 100 FEET WIDE, AS DESCRIBED IN DEED RECORDED IN BOOK 12743 PAGE 23 OF OFFICIAL RECORDS OF SAID COUNTY AND BOUNDED NORTHERLY BY A LINE AT RIGHT ANGLES WITH THE WEST LINE OF SAID 20-FOOT STRIP DISTANT NORTHERLY ALONG SAID WEST LINE 1,671.69 FEET FROM SAID NORTH LINE OF SAID PACIFIC COAST HIGHWAY.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTATING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

EXHIBIT "C"

Litigation pending in the Superior Court for the State of California for the County of Los Angeles under Case No.s Y0027350 and BS050766 (Breakzone Billiards, et. al., Plaintiff/Petitioner).

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss:

On October 27, 1998, before me, Gretchen W. Goldsworthy,

Notary Public, personally appeared Norman R. LaCaze,

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.

Gretchen W. Goldsworthy
Signature

[Seal]



STATE OF CALIFORNIA)
COUNTY OF _____) ss:

On _____, 1998, before me, _____,

Notary Public, personally appeared _____,

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.

Signature

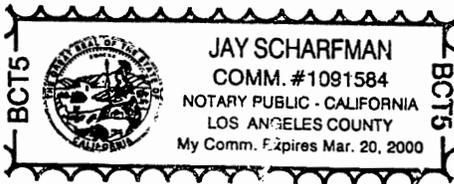
[Seal]

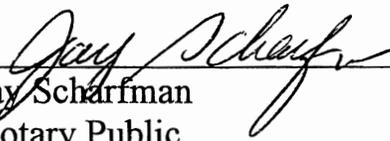
ACKNOWLEDGEMENT

State of California }
County of Los Angeles }

On October 29, 1998, before me, Jay Scharfman, Notary Public, Dee Hardison, Mayor of the City of Torrance and Sue Herbers, City Clerk of the City of Torrance, personally appeared and personally known to me to be the persons whose names are subscribed to the attached document and acknowledged to me that they executed the document in their authorized capacities and that by their signature on the instrument, the persons executed the instrument.

WITNESS my hand and official seal.




Jay Scharfman
Notary Public

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626
Attn: Steven W. Cardoza, Esquire

[SPACE ABOVE LINE FOR RECORDER'S USE ONLY]

CONSENT TO ENCUMBRANCE

(City of Torrance - Mezzanine Loan)

THIS CONSENT TO ENCUMBRANCE (this "Consent"), dated as of October 29, 1998, is made by the CITY OF TORRANCE, a municipal corporation ("Landlord"), and ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("Mezzanine Lender").

This Consent is made with reference to the following facts:

A. Landlord is the current holder of the lessor's interest and Tenant is the current holder of the lessee's interest under that certain ground lease described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Lease"). A copy of the Lease has concurrently herewith been delivered to Mezzanine Lender together with a certificate certifying such copy to be true and correct. The Lease covers the real property (the "Property") described in Exhibit "B" attached hereto and made a part hereof.

B. Pursuant to a loan agreement, dated as of the date hereof (the "Mortgage Loan Agreement") and as evidenced by a note dated as of the date hereof (the "Mortgage Note"), General Electric Capital Corporation and any subsequent holder of the Mortgage Note (the "First Mortgage Lender") is making a loan (the "Mortgage Loan") to Tenant, in the amount of up to \$57,000,000, for the purpose of refinancing the existing loan secured by the Tenant's interest under the Lease (and for other purposes, as set forth in the Mortgage Loan Documents for the Mortgage Loan). The Mortgage Loan will be secured by, among other things, a Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Leasehold Estate) dated as of even date herewith executed by Tenant for the benefit of First Mortgage Lender and shall encumber the leasehold estate (as well as other collateral) and all other present and future rights of Tenant under the Lease and in the Property. First Mortgage Lender is an "Approved Leasehold Mortgage" under the Lease.

C. Pursuant to a loan agreement, dated the date hereof (the "Mezzanine Loan Agreement"), between RHP Venture 98 LLC, a California limited liability company (the "Mezzanine Borrower") and Mezzanine Lender, Mezzanine Lender has agreed to make a loan (the "Mezzanine Loan") to the Mezzanine Borrower in the amount of up to \$3,200,000 (initially \$1,700,000, with a potential earn-out of another \$1,500,000).

6-053

ORIGINAL

D. Mezzanine Borrower is the legal and beneficial owner of approximately 99% of the membership interests of the Tenant, and RHP Venture, Inc., a Delaware corporation, the sole managing member of the Tenant (the "Tenant Managing Member") is the legal and beneficial owner of approximately 1% of the membership interests of the Tenant (collectively, the "Pledged Membership Interests"), and the Mezzanine Borrower is the owner of 100% of the shares of capital stock of Tenant Managing Member (the "Pledged Stock").

E. As a condition precedent to the obligation of the Mezzanine Lender to make the Mezzanine Loan to the Mezzanine Borrower, the Mezzanine Borrower and the Tenant Managing Member have agreed to enter into the Pledge Agreement dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Pledge Agreement"), among the Mezzanine Borrower, the Tenant Managing Member and the Mezzanine Lender, pursuant to which Pledge Agreement the Mezzanine Borrower and the Tenant Managing Member have granted to the Mezzanine Lender a first priority security interest in the membership interests of Tenant and all proceeds thereon (the "Pledged Membership Interests") and the Mezzanine Borrower has delivered to Mezzanine Lender all of the capital stock of the Tenant Managing Member (the "Pledged Stock") and has granted Mezzanine Lender a first priority security interest in the Pledged Stock and all proceeds thereon (collectively, the "Collateral") as collateral security for the Mezzanine Loan.

F. The parties hereto recognize that virtually all of the Collateral's value is derived from the Tenant's ownership of the lessee's interest under the Lease; and that it is therefore critical to the Mezzanine Lender and any other future "Beneficiary" (as defined below) that the Beneficiary have the ability to protect and preserve the Lease and the lessee's rights and interests thereunder. In order to better allow Beneficiary to protect and preserve the Lease and the rights and interests of the lessee thereunder (and thus the value of the Collateral), the parties hereto have agreed that, notwithstanding that Beneficiary will not have a deed of trust, mortgage or other direct lien against the Tenant's interest under the Lease, Beneficiary shall be deemed an "Approved Leasehold Mortgagee" under the Lease, and shall be entitled to all notices, rights to cure, new leases and other rights of an Approved Leasehold Mortgagee under the Lease.

G. A condition to Mezzanine Lender making of the Mezzanine Loan is Landlord's agreement to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree in favor of Beneficiary (as defined in paragraph 1 below) as follows:

1. Consent to Encumbrance. Landlord hereby consents to the Pledge Agreement and the hypothecation thereunder of the Pledged Membership Interests and the Pledged Stock. Landlord hereby confirms and agrees that by Mezzanine Lender's hypothecation of the Collateral, that Beneficiary (including any "Permitted Transferees," as defined below) shall be deemed an "Approved Leasehold Mortgagee" under the Lease (notwithstanding that Beneficiary shall not have a mortgage or other direct lien on the leasehold interest under the Lease), and shall be entitled to all the rights and privileges of an Approved Leasehold Mortgagee under the Lease; notwithstanding any provisions of the Lease which may construed to the contrary (including, without limitation, Section 21 thereof). Without limiting the foregoing, it is also understood that after the origination of the Mezzanine Loan, Mezzanine Lender intends to directly sell, assign and/or transfer the Mezzanine Loan or a portion thereof and may thereafter cause the further sale, transfer and/or assignment of the Mezzanine Loan or a portion thereof to one or more purchasers, assignees or transferees as either a whole loan transfer or as part of public or private, rated or unrated, mortgage pass-through, pay-through or other mortgage-backed transaction (the "Loan Sale"). Each such purchaser, assignee or transferee, including any trust to be formed as part of the Loan

Sale, is hereinafter referred to as a "Permitted Transferee". Mezzanine Lender and each such Permitted Transferee are collectively referred to herein as "Beneficiary." For purposes of this Consent and Beneficiary's rights hereunder and under the Lease, (a) Beneficiary shall be deemed to be in "possession" of the leased premises under Section 21.C.(2)(a) of the Lease (Approved Leasehold Mortgagee's Rights) when Beneficiary shall have completed foreclosure under the Pledge Agreement and become owner of the Collateral; (b) Beneficiary shall be deemed the junior Approved Leasehold Mortgagee and the First Mortgage Lender shall be deemed the senior Approved Leasehold Mortgagee under Section 21.C.(4)(b) of the Lease; and (c) Section 22.F. of the Lease, and any other provisions of the Lease which are effective or remain effective only so long as the Approved Leasehold Mortgagee has a lien against the leasehold interest under the Lease, shall be deemed expanded so that such provisions of the Lease are applicable and remain effective so long as any of the Collateral remains pledged to Beneficiary under the Pledge Agreement (or is otherwise subject to a lien in favor of Beneficiary). Landlord acknowledges that Tenant is now, or will soon become, a limited liability company as to which the Mezzanine Borrower will have an approximately 99% membership interest, and as to which the Tenant Managing Member will have an approximately 1% membership interest; and that the Mezzanine Borrower will be a limited liability company as to which an approximately 99% membership interest shall be owned by RHP Property Management Company (formerly known as Rolling Hills Plaza Shopping Center), a California limited partnership (the general partner interest in which will in turn be owned by La Caze Partnership, a California limited partnership, which will in turn be controlled by Norman and Carol La Caze, as trustees of the La Caze Family Trust). Furthermore, Landlord acknowledges that it has reviewed and consented to the new ownership structure of Tenant, and the ownership structure of the Tenant Managing Member and the Mezzanine Borrower (and Section 20.A.(4) of the Lease is no longer applicable). Landlord hereby consents to any and all transfers of ownership or equity interests and changes of ownership in the Tenant and the Tenant Managing Member which may result from a foreclosure of the Pledge Agreement, a transfer in lieu of such foreclosure, or other enforcement of the Pledge Agreement (including without limitation the transfer of the Pledged Stock or the Pledged Membership Interests to Beneficiary or such other purchaser at the foreclosure sale as there may be); and no further notice or consent shall be required of the Landlord to any such transfer or change of ownership under Sections 20.A.(5) through 20.A.(7), inclusive, of the Lease (or otherwise; and following any such transfer or change in ownership Sections 20.A.(5) through 20.A.(7) of the Lease shall be of no further force or effect).

2. No Subordination of Leasehold Interest. Unless Beneficiary otherwise consents in writing, Tenant's leasehold interest shall not be subordinate to any mortgage or deed of trust hereafter imposed on the fee interest in the Property; and all potential future mortgagees encumbering the fee interest or other lienholders are hereby put on notice that any such fee mortgage or other lien shall be subordinate to the Lease, as modified by this Consent, and to the rights of Beneficiary hereunder and under the documents referenced herein.

3. Representations and Warranties. Landlord and Tenant (each for itself only) represent, warrant and certify to Beneficiary that: (a) a true and correct copy of the Lease, and any and all supplements and amendments thereto and modifications thereof, has been delivered to Beneficiary pursuant to a separate certificate; (b) the Lease is genuine, valid and enforceable in accordance with its terms, is in full force and effect as of the date hereof, and has not been supplemented, modified, amended (except as indicated in the certificate delivered to Beneficiary) or terminated; (c) neither Landlord nor Tenant has given or received notice of the occurrence of a default under the Lease, and to the best knowledge of each, there are no defaults, breaches, defenses, claims or offsets thereunder or to the enforcement thereof; (d) rent owing under the Lease which is due as of the date of the execution hereof has been paid in full, and to the best knowledge of each, Tenant is in compliance with all other obligations of the lessee under the Lease; (e) the term of the Lease expires on December 31, 2045; and (f) there are no agreements between Landlord and Tenant affecting the Property other than the Lease; (g) neither Landlord's fee interest nor Tenant's leasehold interest in the Property are subject to any deed of trust,

mortgage, or other lien (other than the existing deed of trust held by GECC with respect to the loan that is being refinanced with this Loan); (h) all tenants as of the date hereof constitute approved uses under the Lease; (i) all necessary FAA consents referenced in Section 9.F(2)(f) of the Lease were obtained, and will be obtained in connection with any new construction (as required); (j) the "Minimum Basic Rent" payable under Section 4 of the Lease, as amended by the Second Amendment to Lease dated as of January 23, 1996 (the "Second Amendment"), is the only rental payable under the Lease; (k) taxes, assessments and utility charges with respect to the Property are payable by Tenant as set forth in Section 16 of the Lease; (l) there are no purchase options, rights of first refusal, or extension rights or options under the Lease, other than the extension option set forth in Section 3 of the Lease, as modified by the Third Amendment; (m) no third party has any option or other preferential right to purchase all or any part of either the Landlord's or the Tenant's interest in all or any part of the Property (it being understood that Landlord makes this representation only as to Landlord's interest and Tenant makes this representation only as to Tenant's interest); (n) Landlord does not hold any escrows or deposits under the Lease; (o) Landlord has no actual knowledge of any claim by others against the Tenant relating to the Property or its use, except as disclosed in Exhibit C hereto; (p) the Landlord has not received written notice of any pending eminent domain proceedings or other governmental actions or any judicial actions of any kind against the Landlord's interest in the Property; (q) Landlord has not received written notice that it is in violation of any governmental law or regulation applicable to its interest in the Property and its operation thereon, including without limitation, any environmental laws or the Americans with Disabilities Act, and has no reason to believe that there are grounds for any claim of any such violation; (r) the definition of "Gross Rents" in Section 4 of the Lease includes, pursuant to a side letter agreement dated December 16, 1994, a deduction for expenses pertaining to the office building; (s) the Property and all improvements thereon are in full compliance with the height restrictions set forth on Exhibit "D" of the Lease; and (t) the definition of "Lender's Value" set forth in section 29.A.(3)(a) of the Lease shall include all indebtedness and obligations owing to Beneficiary in connection with the Loan and secured by the Deed of Trust, whether principal, interest, fees, collection costs or any other sums whatsoever. Tenant (and Landlord, to the best of its knowledge) further represent, warrant and certify to Beneficiary that: (a) Tenant has not assigned, transferred or hypothecated its interest under the Lease (except in favor of Beneficiary), and (b) there are no subleases, licenses, or other agreements (except the Lease) which create rights of occupancy with respect to the Property, which have not been disclosed to Beneficiary in writing. Landlord further represents and agrees in favor of Beneficiary as follows: (a) space within the Property has previously been used for dry cleaning plant and related dry cleaning operations, and Landlord agrees that such past use does not constitute a default under the Lease; and (b) Landlord acknowledges that certain environmental contamination arose from such dry cleaning operations, such environmental contamination has been remediated in a manner acceptable to the Landlord, and Landlord does not intend to use such contamination as a basis for asserting that a default has occurred under the Lease. Tenant further represents that the County of Los Angeles Fire Department has issued a "no action" letter with respect to such environmental remediation. Landlord further represents that it is familiar with that certain Ground Lease dated as of May 15, 1984, by and between Murvale Company, a corporation, and Chevron U.S.A. Inc., a corporation, as lessor, and Rolling Hills Plaza, a California limited partnership, as lessee, which was recorded on October 30, 1990, in the Official Records of Los Angeles County, California as Instrument No. 90-1831777, as amended (the "Chevron-Murvale Lease"), which covers a strip of land 20 feet wide and 1,687 feet long along the eastern border of the Property which contains 121 parking spaces (the "Chevron Strip"). Landlord agrees that should the Chevron/Murvale Lease terminate, or should the Tenant otherwise lose its rights to the use of the parking spaces covered by the Chevron/Murvale Lease, (a) it is the Landlord's intent to allow Tenant (including its successors and assigns, including Beneficiary should it succeed to Tenant's interest) to obtain a variance of any current parking requirements in connection with the Property, or to work with the Tenant (including its successors and assigns, including Beneficiary should it succeed to Tenant's interests) in exploring ways to maintain the Property's compliance with all City requirements relating to parking and the number of available parking spaces

If to Tenant:

Rolling Hills Plaza Venture 96, LLC
c/o La Caze Development Company
2601 Airport Drive, Suite 300
Torrance, California 90505
Attn: Mr. Norman R. La Caze

or to such other address as may be designated by the parties in the manner provided above for giving notice. Notices shall be deemed given upon personal delivery or upon receipt or refusal to accept receipt, as evidenced by the return receipt.

9. **Execution of New Consent With Subsequent Lender.** Landlord and Tenant agree that they shall execute an agreement containing the same substantive terms, provisions and agreements (including without limitation this provision) as are set forth in this Consent with and in favor of any lender (including without limitation Beneficiary) which provides Tenant with a loan to repay the Mezzanine Loan. Such agreement shall be provided upon the written request of any such lender and within thirty calendar days of Landlord's and Tenant's receipt of such written request.

10. **Miscellaneous.** The parties hereto acknowledge that this Consent is a material inducement to Beneficiary to make the Mezzanine Loan to Mezzanine Borrower and that Beneficiary would not be willing to extend credit to Mezzanine Borrower in absence hereof. Beneficiary is an intended beneficiary of this Consent and the leasehold mortgagee protection provisions of the Lease, and may enforce in its favor all provisions hereof and thereof. This Consent shall inure to the benefit of and be binding upon the successors and assigns of Landlord, Tenant, and Beneficiary. All rights of Beneficiary hereunder may be assigned by Beneficiary without notice to the parties hereto and shall inure to the benefit of Beneficiary's successors and assigns. This Consent may not be supplemented, modified, amended or terminated without Beneficiary's prior written consent. In the event of a conflict between the Lease and this Consent, the provisions of this Consent shall control. Notice of acceptance hereof by Beneficiary is hereby waived. This Consent may be executed and recorded in counterparts.

"Landlord":

THE CITY OF TORRANCE, a municipal corporation

By:

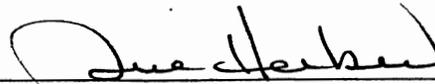


Dee Hardison, Mayor

[Printed Name and Title]

ATTEST:

By:



Sue Herbers, City Clerk

[Printed Name and Title]

APPROVED AS TO FORM: JOHN L. FELLOWS III CITY
ATTORNEY

By: Ronald Pohl
Assistant City Attorney
[Printed Name and Title]

"Tenant":

ROLLING HILLS PLAZA VENTURE 96, LLC, a California
Limited Liability Company

By: RHP Venture, Inc., a Delaware corporation, Managing
Member

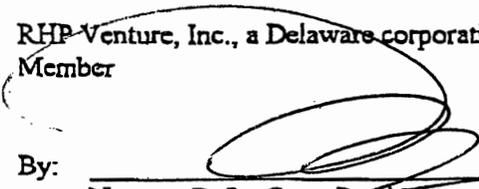
By: 
Norman R. La Caze, President

EXHIBIT "A"

DESCRIPTION OF LEASE

That certain Lease dated as of October 21, 1987, by and between the City of Torrance (the "City"), as landlord, and Rolling Hills Plaza Shopping Center, a California limited partnership (predecessor to Tenant), as tenant, which was recorded November 3, 1987, in the Official Records of Los Angeles County, California as Instrument No. 87-1761480, as amended by (i) Amendment No. 1 thereto dated August 28, 1990, (ii) Second Amendment to Lease dated January 23, 1996, and (iii) Third Amendment to Lease dated July 15, 1997.

EXHIBIT "B"

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the County of Los Angeles, State of California, more particularly described as follows:

PARCEL 1:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE ALONG SAID NORTHERLY LINE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 210.00 FEET; THENCE NORTH 41 DEGREES 14 MINUTES 40 SECONDS EAST 209.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 188.68 FEET TO THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD 100.00 FEET WIDE, SAID STRIP OF LAND DESCRIBED AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2 IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID SOUTHEASTERLY LINE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST 193.04 FEET; THENCE SOUTH 01 DEGREES 50 MINUTES 10 SECONDS WEST 25.39 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION ALONG PACIFIC COAST HIGHWAY MORE PARTICULARLY DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BEING DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHEASTERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID NORTHEASTERLY LINE, SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST, 470.93 FEET; THENCE NORTH 45 DEGREES 36 MINUTES 26 SECONDS WEST, 59.01 FEET TO A POINT OF TANGENCY WITH A CURVE CONCAVE SOUTHWESTERLY AND HAVING A RADIUS OF 1,828.00 FEET; THENCE NORTHWESTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 3 DEGREES 08 MINUTES 54 SECONDS, AN ARC DISTANCE OF 100.45 FEET TO A POINT OF TANGENCY

WITH A LINE BEARING SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST, THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST, 300.00 FEET TO A POINT OF TANGENCY WITH A CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 25.00 FEET; THENCE NORTHWESTERLY, NORTHERLY AND NORTHEASTERLY ALONG SAID CURVE, THROUGH A CENTRAL ANGLE OF 101 DEGREES 11 MINUTES 01 SECONDS, AN ARC DISTANCE OF 44.15 FEET TO A POINT OF TANGENCY WITH A LINE BEARING NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST, SAID LINE BEING THE SOUTHEASTERLY LINE OF THAT PARCEL OF LAND DESCRIBED, AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2, SAID LINE BEING NOW RECOGNIZED AND ACCEPTED AS THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD (100.00 FEET WIDE); THENCE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST, ALONG SAID SOUTHEASTERLY LINE, A DISTANCE OF 16.55 FEET; THENCE SOUTH 1 DEGREES 50 MINUTES 10 SECONDS WEST, 25.39 FEET TO THE POINT OF BEGINNING.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTATING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

PARCEL 2:

THAT PORTION OF LOT 1, TRACT NO. 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY, 100.00 FEET WIDE, AS DESCRIBED IN THE DEED TO THE STATE OF CALIFORNIA, RECORDED IN BOOK 12743, PAGE 23 OF OFFICIAL RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST SOUTHERLY CORNER OF THE LAND

DESCRIBED AS PARCEL "D" UNDER PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY; THENCE ALONG SAID NORTHERLY LINE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 545.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 41 DEGREES 14 MINUTES 40 SECONDS EAST 700.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 125.00 FEET; THENCE SOUTH 41 DEGREES 14 MINUTES 40 SECONDS WEST 74.00 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 263.58 FEET; THENCE SOUTH 52 DEGREES 25 MINUTES 41 SECONDS WEST 138.64 FEET; THENCE SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 85.69 FEET; THENCE SOUTH 41 DEGREES 16 MINUTES 35 SECONDS WEST 90.44 FEET; THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 156.18 FEET TO A POINT IN THE SOUTHEASTERLY LINE OF CRENSHAW BOULEVARD, 100.00 FEET WIDE, SAID STRIP OF LAND DESCRIBED AS PARCEL "A" UNDER SAID PARCELS 8-40, 9-2, IN COMPLAINT IN CASE NO. 572730 OF THE SUPERIOR COURT OF SAID COUNTY, THENCE ALONG SAID SOUTHEASTERLY LINE NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST 932.23 FEET; THENCE SOUTH 37 DEGREE 34 MINUTES 19 SECONDS EAST 246.00 FEET; THENCE NORTH 52 DEGREES 25 MINUTES 41 SECONDS EAST 286.66 FEET TO A POINT IN THE EASTERLY LINE OF SAID LOT 1; THENCE ALONG SAID EASTERLY LINE SOUTH 00 DEGREES 11 MINUTES 20 SECONDS WEST 1,671.69 FEET TO THE NORTHERLY LINE OF PACIFIC COAST HIGHWAY; THENCE ALONG SAID NORTHERLY LINE NORTH 89 DEGREES 48 MINUTES 35 SECONDS WEST 26.53 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHERLY; THENCE WESTERLY ALONG SAID CURVE, HAVING A RADIUS OF 1,096.28 FEET, THROUGH A CENTRAL ANGLE OF 41 DEGREES 03 MINUTES 15 SECONDS, A LENGTH OF 785.52 FEET- THENCE NORTH 48 DEGREES 45 MINUTES 20 SECONDS WEST 349.67 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTATING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

PARCEL 3:

A NON-EXCLUSIVE EASEMENT, FOR THE PASSAGE AND PARKING OF VEHICLES AND FOR INGRESS AND EGRESS, OVER AND APPURTENANT TO THAT PORTION OF LOT 1 OF TRACT NO. 9765, IN THE CITY OF TORRANCE, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170 PAGES 10, 11 AND 12 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, AS SET OUT AND DELINEATED IN THAT CERTAIN DOCUMENT ENTITLED "OPERATION AND EASEMENT AGREEMENT OF ROLLING HILLS PLAZA," RECORDED OCTOBER 30, 1990, AS INSTRUMENT NO. 90-1831780, OFFICIAL RECORDS OF SAID COUNTY.

PARCEL 4:

THAT PORTION OF THE RANCHO LOS PALOS VERDES, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 2 PAGE 545 OF PATENTS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AS ALLOTTED TO ORIN S. WESTON BY DECREE OF DISTRIBUTION IN THE ESTATE OF B.S. WESTON RECORDED IN BOOK 2838 PAGE 230, OF DEEDS, RECORDS OF SAID COUNTY, BEING A PORTION OF THAT 20-FOOT STRIP OF LAND CONVEYED TO STANDARD OIL COMPANY IN DEED RECORDED IN BOOK 6265 PAGE 311 OF DEEDS, RECORDS OF SAID COUNTY, BOUNDED SOUTHERLY BY THE NORTH LINE OF PACIFIC COAST HIGHWAY, 100 FEET WIDE, AS DESCRIBED IN DEED RECORDED IN BOOK 12743 PAGE 23 OF OFFICIAL RECORDS OF SAID COUNTY AND BOUNDED NORTHERLY BY A LINE AT RIGHT ANGLES WITH THE WEST LINE OF SAID 20-FOOT STRIP DISTANT NORTHERLY ALONG SAID WEST LINE 1,671.69 FEET FROM SAID NORTH LINE OF SAID PACIFIC COAST HIGHWAY.

EXCEPT FROM SAID LAND ALL URANIUM, THORIUM AND ALL OTHER MATERIALS DETERMINED PURSUANT TO SECTION 5(B)(1) OF THE ATOMIC ENERGY ACT OF 1946 (60 STAT. 761) TO BE PECULIARLY ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIAL, CONTAINED IN WHATEVER CONCENTRATION IN DEPOSITS IN SAID LANDS, TOGETHER WITH THE RIGHT AT ANY TIME TO ENTER UPON SAID LAND AND PROSPECT FOR, MINE AND REMOVE THE SAME, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED ON MAY 13, 1948 IN BOOK 27145 PAGE 362, OF OFFICIAL RECORDS.

ALSO EXCEPT ALL MINERALS, OTHER THAN THOSE ABOVE MENTIONED, AND ALL PETROLEUM IN SAID LAND, TOGETHER WITH THE EXCLUSIVE RIGHT AT ANY AND ALL TIMES TO ENTER UPON THE LANDS AND PROSPECT FOR, MINE FOR, AND REMOVE SUCH MINERALS OR PETROLEUM, WITH ALL NECESSARY AND CONVENIENT MEANS OF WORKING AND TRANSPORTATING MATERIALS AND SUPPLIES, AS RESERVED IN THE ABOVE MENTIONED DEED.

ALL RIGHTS OF ENTRY UPON THE SURFACE OF SAID LAND TO PROSPECT FOR, MINE OR REMOVE MINERALS OR PETROLEUM FROM SAID LAND, OR IN ANYWISE MAKE USE OF THE SURFACE OF SAID LAND FOR WORKING, REMOVING OR TRANSPORTATION OF MATERIALS AND SUPPLIES IN CONNECTION WITH SUCH MINING OPERATIONS, AS RESERVED IN THE ABOVE MENTIONED DEED, WERE QUITCLAIMED BY THE UNITED STATES OF AMERICA ACTING BY AND THROUGH THE ADMINISTRATOR OF GENERAL SERVICES, TO THE CITY OF TORRANCE, A MUNICIPAL CORPORATION, BY DEED RECORDED AUGUST 29, 1955 IN BOOK 48802 PAGE 55, OFFICIAL RECORDS.

EXHIBIT "C"

Litigation pending in the Superior Court for the State of California for the County of Los Angeles under Case No.s Y0027350 and BS050766 (Breakzone Billiards, et. al., Plaintiff/Petitioner).

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss:
)

On October 27, 1998, before me, Gretchen W. Goldsworthy,

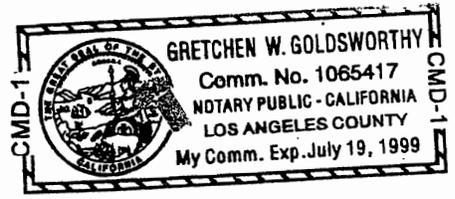
Notary Public, personally appeared Norman R. Lo Coc,

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.

Gretchen W. Goldsworthy
Signature

[Seal]



STATE OF CALIFORNIA)
COUNTY OF _____) ss:
)

On _____, 1998, before me, _____,

Notary Public, personally appeared _____,

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.

Signature

[Seal]

ACKNOWLEDGMENTS

STATE OF CALIFORNIA)
) ss:
COUNTY OF _____)

On _____, 1998, before me, _____,

Notary Public, personally appeared _____,

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.

Signature

[Seal]

STATE OF CALIFORNIA)
) ss:
COUNTY OF _____)

On _____, 1998, before me, _____,

Notary Public, personally appeared _____,

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.

Signature

[Seal]

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

A LIMITED LIABILITY PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

ATTORNEYS AT LAW

FOURTH FLOOR

650 TOWN CENTER DRIVE

COSTA MESA, CALIFORNIA 92626-1925

TELEPHONE (714) 513-5100

FACSIMILE (714) 513-5130

WRITER'S DIRECT LINE

OUR FILE NUMBER

332-66735

October 29, 1998

VIA FACSIMILE (310-618-5891)

Mr. Brian Sunshine
City Manager
City of Torrance
3031 Torrance Boulevard
Torrance, California 90503

Re: Substituted pages for Consents to Encumbrance pertaining to the
Rolling Hills Plaza Shopping Center/GECC Financing

Dear Brian:

Pursuant to my conversation of earlier today with Heather Whitham,
attached hereto are "blacklined" pages marked to show the change of RHP Venture,
Inc. from a California corporation to a Delaware corporation.

Please have the City execute below where indicated on this letter
consenting to the substitution of these pages in the Consents to Encumbrance.

Thank you for your assistance in this matter.

Sincerely,



Dean A. Demetre

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

NBI:NC8\LET\332\41108646.1

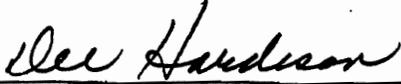
Enclosures

C-053

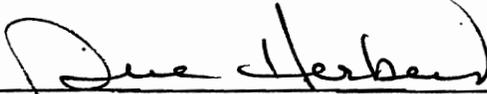
Mr. Brian Sunshine
October 29, 1998
Page 2

The substitution of pages is hereby consented to:

THE CITY OF TORRANCE, a municipal corporation

By: 
Dee Hardison, Mayor

ATTEST:

By: 
Sue Herbers, City Clerk

APPROVED AS TO FORM:

By: 
Heather K. Whitham, Deputy City Attorney

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626
Attn: Steven W. Cardoza, Esquire

[SPACE ABOVE LINE FOR RECORDER'S USE ONLY]

CONSENT TO ENCUMBRANCE

(City of Torrance - Mezzanine Loan)

THIS CONSENT TO ENCUMBRANCE (this "Consent"), dated as of _____, 1998, is made by the CITY OF TORRANCE, a municipal corporation ("Landlord"), and ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("Mezzanine Lender").

This Consent is made with reference to the following facts:

A. Landlord is the current holder of the lessor's interest and Tenant is the current holder of the lessee's interest under that certain ground lease described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Lease"). A copy of the Lease has concurrently herewith been delivered to Mezzanine Lender together with a certificate certifying such copy to be true and correct. The Lease covers the real property (the "Property") described in Exhibit "B" attached hereto and made a part hereof.

B. Pursuant to a loan agreement, dated as of the date hereof (the "Mortgage Loan Agreement") and as evidenced by a note dated as of the date hereof (the "Mortgage Note"), General Electric Capital Corporation and any subsequent holder of the Mortgage Note (the "First Mortgage Lender") is making a loan (the "Mortgage Loan") to Tenant, in the amount of up to \$57,000,000, for the purpose of refinancing the existing loan secured by the Tenant's interest under the Lease (and for other purposes, as set forth in the Mortgage Loan Documents for the Mortgage Loan). The Mortgage Loan will be secured by, among other things, a Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Leasehold Estate) dated as of even date herewith executed by Tenant for the benefit of First Mortgage Lender and shall encumber the leasehold estate (as well as other collateral) and all other present and future rights of Tenant under the Lease and in the Property. First Mortgage Lender is an "Approved Leasehold Mortgagee" under the Lease.

C. Pursuant to a loan agreement, dated the date hereof (the "Mezzanine Loan Agreement"), between RHP Venture 98 LLC, a California limited liability company (the "Mezzanine Borrower") and Mezzanine Lender, Mezzanine Lender has agreed to make a loan (the "Mezzanine Loan") to the Mezzanine Borrower in the amount of up to \$3,200,000 (initially \$1,700,000, with a potential earn-out of another \$1,500,000).

D. Mezzanine Borrower is the legal and beneficial owner of approximately 99% of the membership interests of the Tenant, and RHP Venture, Inc., a Delaware California corporation, the sole managing member of the Tenant (the "Tenant Managing Member") is the legal and beneficial owner of approximately 1% of the membership interests of the Tenant (collectively, the "Pledged Membership Interests"), and the Mezzanine Borrower is the owner of 100% of the shares of capital stock of Tenant Managing Member (the "Pledged Stock").

E. As a condition precedent to the obligation of the Mezzanine Lender to make the Mezzanine Loan to the Mezzanine Borrower, the Mezzanine Borrower and the Tenant Managing Member have agreed to enter into the Pledge Agreement dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Pledge Agreement"), among the Mezzanine Borrower, the Tenant Managing Member and the Mezzanine Lender, pursuant to which Pledge Agreement the Mezzanine Borrower and the Tenant Managing Member have granted to the Mezzanine Lender a first priority security interest in the membership interests of Tenant and all proceeds thereon (the "Pledged Membership Interests") and the Mezzanine Borrower has delivered to Mezzanine Lender all of the capital stock of the Tenant Managing Member (the "Pledged Stock") and has granted Mezzanine Lender a first priority security interest in the Pledged Stock and all proceeds thereon (collectively, the "Collateral") as collateral security for the Mezzanine Loan.

F. The parties hereto recognize that virtually all of the Collateral's value is derived from the Tenant's ownership of the lessee's interest under the Lease; and that it is therefore critical to the Mezzanine Lender and any other future "Beneficiary" (as defined below) that the Beneficiary have the ability to protect and preserve the Lease and the lessee's rights and interests thereunder. In order to better allow Beneficiary to protect and preserve the Lease and the rights and interests of the lessee thereunder (and thus the value of the Collateral), the parties hereto have agreed that, notwithstanding that Beneficiary will not have a deed of trust, mortgage or other direct lien against the Tenant's interest under the Lease, Beneficiary shall be deemed an "Approved Leasehold Mortgagee" under the Lease, and shall be entitled to all notices, rights to cure, new leases and other rights of an Approved Leasehold Mortgagee under the Lease.

G. A condition to Mezzanine Lender making of the Mezzanine Loan is Landlord's agreement to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree in favor of Beneficiary (as defined in paragraph 1 below) as follows:

1. Consent to Encumbrance. Landlord hereby consents to the Pledge Agreement and the hypothecation thereunder of the Pledged Membership Interests and the Pledged Stock. Landlord hereby confirms and agrees that by Mezzanine Lender's hypothecation of the Collateral, that Beneficiary (including any "Permitted Transferees," as defined below) shall be deemed an "Approved Leasehold Mortgagee" under the Lease (notwithstanding that Beneficiary shall not have a mortgage or other direct lien on the leasehold interest under the Lease), and shall be entitled to all the rights and privileges of an Approved Leasehold Mortgagee under the Lease; notwithstanding any provisions of the Lease which may construed to the contrary (including, without limitation, Section 21 thereof). Without limiting the foregoing, it is also understood that after the origination of the Mezzanine Loan, Mezzanine Lender intends to directly sell, assign and/or transfer the Mezzanine Loan or a portion thereof and may thereafter cause the further sale, transfer and/or assignment of the Mezzanine Loan or a portion thereof to one or more purchasers, assignees or transferees as either a whole loan transfer or as part of public or private, rated or unrated, mortgage pass-through, pay-through or other mortgage-backed transaction (the "Loan Sale"). Each such purchaser, assignee or transferee, including any trust to be formed as part of the Loan

Sale, is hereinafter referred to as a "Permitted Transferee". Mezzanine Lender and each such Permitted Transferee are collectively referred to herein as "Beneficiary." For purposes of this Consent and Beneficiary's rights hereunder and under the Lease, (a) Beneficiary shall be deemed to be in "possession" of the leased premises under Section 21.C.(2)(a) of the Lease (Approved Leasehold Mortgagee's Rights) when Beneficiary shall have completed foreclosure under the Pledge Agreement and become owner of the Collateral; (b) Beneficiary shall be deemed the junior Approved Leasehold Mortgagee and the First Mortgage Lender shall be deemed the senior Approved Leasehold Mortgagee under Section 21.C.(4)(b) of the Lease; and (c) Section 22.F. of the Lease, and any other provisions of the Lease which are effective or remain effective only so long as the Approved Leasehold Mortgagee has a lien against the leasehold interest under the Lease, shall be deemed expanded so that such provisions of the Lease are applicable and remain effective so long as any of the Collateral remains pledged to Beneficiary under the Pledge Agreement (or is otherwise subject to a lien in favor of Beneficiary). Landlord acknowledges that Tenant is now, or will soon become, a limited liability company as to which the Mezzanine Borrower will have an approximately 99% membership interest, and as to which the Tenant Managing Member will have an approximately 1% membership interest; and that the Mezzanine Borrower will be a limited liability company as to which an approximately 99% membership interest shall be owned by RHP Property Management Company (formerly known as Rolling Hills Plaza Shopping Center), a California limited partnership (the general partner interest in which will in turn be owned by La Caze Partnership, a California limited partnership, which will in turn be controlled by Norman and Carol La Caze, as trustees of the La Caze Family Trust). Furthermore, Landlord acknowledges that it has reviewed and consented to the new ownership structure of Tenant, and the ownership structure of the Tenant Managing Member and the Mezzanine Borrower (and Section 20.A.(4) of the Lease is no longer applicable). Landlord hereby consents to any and all transfers of ownership or equity interests and changes of ownership in the Tenant and the Tenant Managing Member which may result from a foreclosure of the Pledge Agreement, a transfer in lieu of such foreclosure, or other enforcement of the Pledge Agreement (including without limitation the transfer of the Pledged Stock or the Pledged Membership Interests to Beneficiary or such other purchaser at the foreclosure sale as there may be); and no further notice or consent shall be required of the Landlord to any such transfer or change of ownership under Sections 20.A.(5) through 20.A.(7), inclusive, of the Lease (or otherwise; and following any such transfer or change in ownership Sections 20.A.(5) through 20.A.(7) of the Lease shall be of no further force or effect).

2. No Subordination of Leasehold Interest. Unless Beneficiary otherwise consents in writing, Tenant's leasehold interest shall not be subordinate to any mortgage or deed of trust hereafter imposed on the fee interest in the Property; and all potential future mortgagees encumbering the fee interest or other lienholders are hereby put on notice that any such fee mortgage or other lien shall be subordinate to the Lease, as modified by this Consent, and to the rights of Beneficiary hereunder and under the documents referenced herein.

3. Representations and Warranties. Landlord and Tenant (each for itself only) represent, warrant and certify to Beneficiary that: (a) a true and correct copy of the Lease, and any and all supplements and amendments thereto and modifications thereof, has been delivered to Beneficiary pursuant to a separate certificate; (b) the Lease is genuine, valid and enforceable in accordance with its terms, is in full force and effect as of the date hereof, and has not been supplemented, modified, amended (except as indicated in the certificate delivered to Beneficiary) or terminated; (c) neither Landlord nor Tenant has given or received notice of the occurrence of a default under the Lease, and to the best knowledge of each, there are no defaults, breaches, defenses, claims or offsets thereunder or to the enforcement thereof; (d) rent owing under the Lease which is due as of the date of the execution hereof has been paid in full, and to the best knowledge of each, Tenant is in compliance with all other obligations of the lessee under the Lease; (e) the term of the Lease expires on December 31, 2045; and (f) there are no agreements between Landlord and Tenant affecting the Property other than the Lease; (g) neither Landlord's fee interest nor Tenant's leasehold interest in the Property are subject to any deed of trust,

APPROVED AS TO FORM: JOHN L. FELLOWS III CITY
ATTORNEY

By: _____

[Printed Name and Title]

"Tenant":

ROLLING HILLS PLAZA VENTURE 96, LLC, a California
Limited Liability Company

By: RHP Venture, Inc., a ~~Delaware~~ California corporation,
Managing Member

By: _____
Norman R. La Caze, President

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

SHEPPARD, MULLIN, RICHTER & HAMPTON LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626
Attn: Steven W. Cardoza, Esquire

[SPACE ABOVE LINE FOR RECORDER'S USE ONLY]

CONSENT TO ENCUMBRANCE OF LEASEHOLD ESTATE

(City of Torrance)

THIS CONSENT TO ENCUMBRANCE OF LEASEHOLD ESTATE (this "Consent"), dated as of _____, 1998, is made by the CITY OF TORRANCE, a municipal corporation ("Landlord"), and ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("GECC").

This Consent is made with reference to the following facts:

A. Landlord is the current holder of the lessor's interest and Tenant is the current holder of the lessee's interest under that certain ground lease described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Lease"). A copy of the Lease has concurrently herewith been delivered to GECC together with a certificate certifying such copy to be true and correct. The Lease covers the real property (the "Property") described in Exhibit "B" attached hereto and made a part hereof.

B. Tenant has applied to GECC for a loan in the principal amount of up to \$57,000,000.00 (the "Loan"), for the purpose of refinancing the existing loan secured by the lessee's interest under the Lease (and for other purposes, as set forth in the Loan Documents for the Loan). The Loan will be secured by, among other things, a Leasehold Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Leasehold Estate) (the "Deed of Trust") dated as of even date herewith executed by Tenant for the benefit of GECC, and will be evidenced and otherwise governed by the "Loan Documents" described in the Deed of Trust. The Deed of Trust shall be recorded concurrently herewith and shall encumber the leasehold estate (as well as other collateral) and all other present and future rights of Tenant under the Lease and in the Property.

C. A condition to GECC's making of the Loan is Landlord's agreement to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree in favor of Beneficiary (as defined in paragraph 1. below) as follows:

APPROVED AS TO FORM: JOHN L. FELLOWS III CITY
ATTORNEY

By: _____

[Printed Name and Title]

"Tenant":

ROLLING HILLS PLAZA VENTURE 96, LLC, a California
Limited Liability Company

By: RHP Venture, Inc., a Delaware ~~California~~ corporation,
Managing Member

By: _____
Norman R. La Caze, President

Tenant's Certificate

(Rolling Hills Plaza Venture 96, LLC)

This TENANT'S CERTIFICATE, dated as of October 19, 1998, is made by ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant").

Tenant represents, warrants and certifies as follows:

1. The Operation and Easement Agreement for Rolling Hills Plaza, dated October 5, 1990, is in full force and effect and except as otherwise stated in this certificate, there are no defaults, breaches, defenses, claims or offsets under the Agreement.
2. There are no defaults, breaches, defenses, claims or offsets under the Lease or any amendments to the Lease.
3. Except as otherwise stated in this certificate, Tenant is in full compliance with all of Tenant's obligations under the Lease and any amendments to the Lease.
4. Tenant has provided a complete list of all sub-tenants under the Lease to the City. The only use allowing the sale of used merchandise is the Hospice Avenue thrift store. All of the other sub-tenants are permitted uses under the Lease.
5. The only sub-tenants with an aggregate potential term (including renewal and extension periods) of more than ten years are those listed on the attached Exhibit A.
6. The only sub-tenants that exceed 5% of the rentable floor space are AMC Theatres, Family Fitness and Rite Aid.
7. Tenant has developed a remediation plan, which has been approved by the Los Angeles County Health Hazardous Materials Division and Tenant is

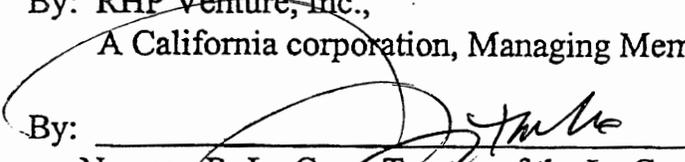
C-053

diligently proceeding to complete the work required under that plan. Tenant has received no notice regarding a default or failure to comply with the plan.

Tenant declares under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Rolling Hills Plaza Venture 96, LLC,
a California Limited Liability Company

By: RHP Venture, Inc.,
A California corporation, Managing Member

By: 
Norman R. La Caze, ~~Trustee of the La Caze~~
~~Family Trust~~, President

By: 
Carole J. La Caze, ~~Trustee of the La Caze~~
~~Family Trust~~, Secretary

LAW OFFICES OF
DAVID G. ROBERT
A PROFESSIONAL CORPORATION
21250 HAWTHORNE BOULEVARD
SUITE 535
TORRANCE, CALIFORNIA 90503
TELEPHONE (310) 316-1000
FAX (310) 316-3545

October 13, 1998

Ms. Heather K. Whitham
Deputy City Attorney
City of Torrance
3031 Torrance Boulevard
Torrance, California 90503-5059

Re: Rolling Hills Plaza Shopping Center

Dear Ms. Whitham:

The purpose of this letter is to confirm the following:

1. The City of Torrance (as "Landlord") and Rolling Hills Plaza Venture 96, LLC (successor-in-interest to Rolling Hills Plaza Shopping Center, a California limited partnership) (as "Tenant") are parties to that certain Lease dated as of October 21, 1987, recorded November 3, 1987, in Los Angeles County as Instrument No. 87-1761480, as amended by Amendment No. 1 dated August 28, 1990, and as amended by Second Amendment to Lease dated January 23, 1996, and as amended by Third Amendment to Lease dated July 13, 1997.

2. Landlord and Tenant have recently discovered that the respective counterparts of the Lease held by the Landlord and Tenant contain differing pages (Pages 25 and 26).

3. The differences are not substantive in nature, and the parties desire to assure that the counterparts of the Ground Lease held by both Landlord and Tenant are identical.

4. The parties acknowledge that Pages 25 and 26 of the Lease, copies of which are attached to this Letter Agreement as Exhibit "A", shall, for all intents and purposes and for the duration of the term of the Lease, constitute the correct Pages 25 and 26.

5. Landlord hereby authorizes Tenant to insert copies of Pages 25 and 26 (in the form attached hereto as Exhibit "A") in all Lease counterparts in Tenant's possession.

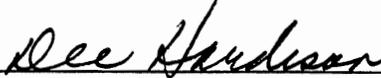
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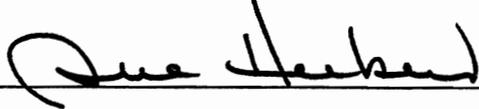
Ms. Heather K. Whitham
Re: Rolling Hills Plaza Shopping Center
Page 2
October 13, 1998

IN WITNESS WHEREOF, Landlord and Tenant have executed this Letter Agreement as of this 29 day of OCTOBER, 1998.

CITY OF TORRANCE,
a municipal corporation

By: 
Dee Hardison, Mayor
(Printed Name and Title)

ATTEST:

By: 
Sue Herbers, City Clerk
(Printed Name and Title)

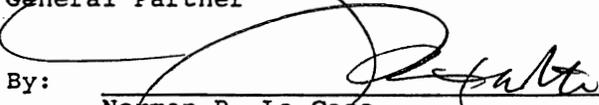
APPROVED AS TO FORM
JOHN L. FELLOWS III, CITY ATTORNEY

By: 
Heather Whitham, Deputy City Attorney
(Printed Name and Title)

ROLLING HILLS PLAZA VENTURE 96, LLC,
a California limited liability company

BY: Rolling Hills Plaza Shopping Center,
a California limited partnership

By: La Caze Partnership,
a California limited partnership
General Partner

By: 
Norman R. La Caze
Trustee of the La Caze Family Trust
General Partner

By: 
Carole J. La Caze
Trustee of the La Caze Family Trust
General Partner

City authorizes the City Attorney to approve the form of this Lease; and except as otherwise set forth in this Lease, no approval or consent not heretofore obtained is necessary in connection with its execution on behalf of the City or the performance of the City's obligations hereunder.

B. Lessee.

Norman La Caze warrants to the City that he has full right, legal capacity and authority pursuant to the agreement of partnership of Lessee to enter into the obligations of Lessee under this Lease; that he is the sole general partner in the partnership formed pursuant to such agreement of partnership doing business as Rolling Hills Plaza Shopping Center; that no approval or consent is necessary in connection with his execution of this Lease on behalf of Lessee or the performance of Lessee's obligations hereunder; and that a true and correct copy of Lessee's Certificate of Limited Partnership form LP-1, as filed for record with the Secretary of State of the State of California, has been delivered to the City.

C. Amendment and Restatement of Existing Leases.

(1) Lessee hereby represents and warrants that the Seven Leases, consisting of Lease Numbers 2B, 2C, 3A, 3B, 4B, 6 and 7, and all amendments and modifications thereto, constituted the sole and entire right, title and interest of Norman R. La Caze, Lessee, or any person or entity owning any interest in Lessee, in the Rolling Hills Plaza Shopping Center prior to the Commencement Date. Effective as of the Commencement Date, the Seven Leases and all amendments and modifications thereto, and any and all other right, title and interest whatsoever which Norman R. La Caze, Lessee, or any other person or entity owning any interest in Lessee, currently has in the Rolling Hills Plaza Shopping Center, are hereby entirely amended

and restated and completely superseded by this Lease. Upon the Commencement Date, all liabilities under the Seven Leases of either party to the other party thereto which would have accrued from and after such date are hereby cancelled; provided, however, that each party to the Seven Leases shall remain liable to the other party thereto for any and all obligations and duties which arise or accrue thereunder prior to such date. From and after the Commencement Date, Lessee's rights, interests and entitlements to the Rolling Hills Shopping Center shall be limited solely to the Leased Premises and determined solely by the terms of this Lease.

9. ALTERATIONS AND ADDITIONAL IMPROVEMENTS

A. Construction Approval.

Lessee shall not construct any building, structure or other improvement on the Leased Premises unless the plan showing the location thereof and construction plans and specifications are first approved by the Director of Building and Safety and by the City Council of the City, and the giving of such consent shall be within such Director's and City Council's sole discretion and shall not be a waiver of any rights to object to further or future construction.

B. Alteration Approval.

Lessee shall not make any structural changes or alterations, nor any exterior changes or alterations, structural or otherwise, to any building, structure, or other improvement on the Leased Premises unless the consent of the City Manager, or a designee chosen by the City Manager in his sole discretion, is first obtained. Such consent shall be within the reasonable discretion of the City Manager or such designee and the giving of such consent shall not be a waiver of any rights to object to further or future alterations.

ESTOPPEL CERTIFICATE

Re: Rolling Hills Plaza
City of Torrance

The undersigned, as a party to that certain OPERATION AND EASEMENT AGREEMENT FOR ROLLING HILLS PLAZA (the "OEA") dated October 5, 1990, made with ROLLING HILLS PLAZA SHOPPING CENTER, a California limited partnership, predecessor in interest to ROLLING HILLS PLAZA VENTURE 96, LLC, a California limited liability company ("RHP"), and the SCHWARTZ INVESTMENT COMPANY, a California limited partnership ("Schwartz") does hereby certify to GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation:

1. That the copy of the OEA attached hereto as Exhibit A is a true and complete copy of the OEA and the OEA is now in full force and effect and has not been amended, modified or assigned except as attached hereto;
2. That there exist no defenses or offsets to enforcement of the OEA by RHP and that there are, as of the date hereof, no defaults or breaches on the part of RHP and no event has occurred which, with the passage of time or giving of notice, or both, would constitute a default or breach by RHP, under the OEA known to the undersigned and the undersigned has made no claim against RHP;

1
G-053
1

It is understood that General Electric Capital Corporation requires this statement from the undersigned as a condition to the making of a loan to the owners of the property covered by the OEA.

Date: OCTOBER 29, 1998 THE CITY OF TORRANCE, a municipal corporation

By: Dee Hardison
Dee Hardison, Mayor
[Printed Name and Title]

ATTEST:
By: Sue Herbers
Sue Herbers, City Clerk
[Printed Name and Title]

APPROVED AS TO FORM JOHN L. FELLOWS III
CITY ATTORNEY

By: Heather Whitham
Heather Whitham, Deputy City Attorney
[Printed Name and Title]

ORIGINAL

ESTOPPEL CERTIFICATE

Re: Rolling Hills Plaza
City of Torrance

The undersigned, as a party to that certain OPERATION AND EASEMENT AGREEMENT FOR ROLLING HILLS PLAZA (the "OEA") dated October 5, 1990, made with ROLLING HILLS PLAZA SHOPPING CENTER, a California limited partnership ("RHP"), and the SCHWARTZ INVESTMENT COMPANY, a California limited partnership ("Schwartz") does hereby certify to GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation:

1. That the copy of the OEA attached hereto as Exhibit A is a true and complete copy of the OEA and the OEA is now in full force and effect and has not been amended, modified or assigned except as attached hereto;
2. That there exist no defenses or offsets to enforcement of the OEA by RHP and that there are, as of the date hereof, no defaults or breaches on the part of RHP and no event has occurred which, with the passage of time or giving of notice, or both, would constitute a default or breach by RHP, under the OEA known to the undersigned and the undersigned has made no claim against RHP;

It is understood that General Electric Capital Corporation requires this statement from the undersigned as a condition to the making of a loan to the owners of the property covered by the OEA.

Date: February 7, 1996

CITY OF TORRANCE,
a municipal corporation

By: Dee Hardison
Name: Dee Hardison
Title: Mayor

ARMT34/rhp.40
07/14/90

90 1831780

Recording Requested by
Pacific Title Guaranty Co.

900161-02

RECORDED IN OFFICIAL RECORDS
RECORDER'S OFFICE
LOS ANGELES COUNTY
CALIFORNIA
1 MIN.
PAST. 10 A.M. OCT 30 1990

RECORDING REQUESTED BY AND MAIL TO

Same As Above

DOCUMENTARY TRANSFER TAX \$ None
..... COMPUTED ON THE FULL VALUE OF PROPERTY CONVEYED.
..... ON CONVEYANCE BY FULL VALUE TO S. LINDS AND
..... LINDS AT TIME OF SALE.
Signature of Grantor _____ Date _____
Signature of Grantee _____ Date _____

OPERATION AND EASEMENT AGREEMENT
Date of Consideration less
than \$100.00. RAT
11911.

BETWEEN

FEE \$ 93.66 S

45
17

ROLLING HILLS PLAZA SHOPPING CENTER

and

SCHWARTZ INVESTMENT COMPANY,
a California limited partnership

and

CITY OF TORRANCE

CG90-118

ORIGINAL

<u>SECTION</u>		<u>PAGE</u>
ARTICLE VI	<u>MISCELLANEOUS</u>	23
6.1	Default	23
6.2	Interest	24
6.3	Estoppel Certificate	24
6.4	Notices	25
6.5	Approval Rights	26
6.6	Sale-Leaseback	26
6.7	Binding Effect	26
6.8	Singular and Plural	26
6.9	Counterparts and Signature Pages	26
6.10	Negation of Partnership	27
6.11	Not a Public Dedication	27
6.12	Excusable Delays	27
6.13	Severability	27
6.14	Amendments, Terminations, Consents and Approvals	27
6.15	Captions and Capitalized Terms	28
6.16	Minimization of Damages	28
6.17	OEA Shall Continue Notwithstanding Breach	28
6.18	Time	28
6.19	Non Waiver	28
6.20	Release From Liability	28
6.21	Toxic Substances	29
6.22	Condemnation	29
6.23	Former Agreements	29
6.24	Inconsistencies with Ground Lease	30
ARTICLE VII	<u>TERM</u>	30
7.1	Term of this OEA	30
	Signatures	31
	Consent and Approval	32
Exhibit "A"	Legal Description of Rolling Hills Tract 1 and Rolling Hills Tract 2	
Exhibit "A-1"	Legal Description of Sublease Tract	
Exhibit "B"	Legal Description of Schwartz Tract	
Exhibit "X"	Site Plan	

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

DAVID G. ROBERT,
a Professional Corporation
21250 Hawthorne Boulevard
Suite 535
Torrance, California 90503

OPERATION AND EASEMENT AGREEMENT
OF ROLLING HILLS PLAZA

THIS AGREEMENT ("OEA") is made and entered into as of the 5th day of October, 1990, by and between ROLLING HILLS PLAZA SHOPPING CENTER, a California limited partnership ("Rolling Hills"), SCHWARTZ INVESTMENT COMPANY, a California limited partnership ("Schwartz") and the CITY OF TORRANCE, a municipal corporation ("City").

R E C I T A L S:

A. Rolling Hills is the ground lessee of two (2) tracts of land described on Exhibit "A" attached hereto and incorporated herein and hereinafter referred to as "Rolling Hills Tract 1" and "Rolling Hills Tract 2" respectively and the sublessee of a certain tract of land described on Exhibit "A-1" attached hereto and incorporated herein by this reference, which tract of land is hereinafter referred to as the "Sublease Tract". "Rolling Hills Tract 1"; "Rolling Hills Tract 2" and the "Sublease Tract" are collectively referred to as the "Rolling Hills Tract". Rolling Hills Tract 1, Rolling Hills Tract 2 and the Sublease Tract are identified as such on Exhibit "X" (the "Site Plan") attached hereto and incorporated herein by this reference.

B. Schwartz is the ground lessee of a certain tract of land located between and adjacent to the Rolling Hills Tract 1 and Rolling Hills Tract 2, as shown on the Site Plan and is hereinafter referred to as the "Schwartz Ground Lease Tract." Schwartz is the sublessor of the Sublease Tract. The Schwartz Ground Lease Tract, excluding the Sublease Tract, is hereinafter referred to as the "Schwartz Tract". The Schwartz Tract is described in Exhibit "B" attached hereto and incorporated herein by this reference and identified on the Site Plan.

C. City is the fee owner, and the ground lessor, of the Rolling Hills Tract and the Schwartz Tract and, by execution hereof, desires to consent to this OEA and to subject its fee simple interest to this OEA.

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D. The Rolling Hills Tract and the Schwartz Tract (collectively referred to as the "Shopping Center") are contiguous and adjacent as shown on the Site Plan.

E. The Shopping Center is a fully operating retail shopping complex.

F. The Parties (as hereinafter defined) desire to operate their respective Tracts (as hereinafter defined) in conjunction with each other as integral parts of a retail shopping complex and in order to effectuate the common use and operation thereof they desire to enter into certain covenants and agreements as a part of a general plan.

G. The Parties desire to grant to each other certain reciprocal easements, in, to, over, and across the Rolling Hills Tract and the Schwartz Tract, respectively.

NOW, THEREFORE, in consideration of the foregoing, and of the covenants and agreements hereinafter set forth, it is agreed as follows:

ARTICLE I
DEFINITIONS

1.1 Building Area. Those portions designated "Building Area" (or Building Envelope) within the Shopping Center are the portions thereof upon which buildings may be constructed, as outlined and identified by the phrase "Building Area" on the Site Plan; provided, no more than the maximum square footage of Floor Area of buildings as shown on the Site Plan may be constructed on any Tract.

1.2 Common Area. The "Common Area" is all real property within the Shopping Center which is not Building Area; together with those portions of the Building Area which is not from time to time actually covered by a building or other commercial structure.

1.3 Floor Area. "Floor Area" means the area within the exterior surfaces of the exterior walls of any building available for use whether or not occupied, excluding any balcony "Mezzanine" (i.e., any floor area above the ground floor that does not extend over the entire ground floor area and which is used in connection with the primary commercial use of such building but is not used for sales area or generally open to the

public), trash enclosure, loading dock, and/or covered area attached to loading docks, canopies and roof overhangs, and their supporting columns or pillars.

During any period of rebuilding, repairing, replacement or reconstruction of a building, the Floor Area of that building shall be deemed to be the same as existed immediately prior to that period. Upon completion of any rebuilding, repairing, replacement or reconstruction, the Party upon whose Tract such building is located, shall cause a new determination of Floor Area for such building to be made in the manner described above, and such determination shall be sent to any Party requesting the same.

1.4 Occupant. The term "Occupant" shall mean any Person from time to time entitled to the use and occupancy of any portion of a building in the Shopping Center under an ownership right or any lease, sublease, license, concession, or other similar agreement.

1.5 Operator. The term "Operator" shall mean the person responsible for maintenance of the Common Area, or any part thereof, under the provisions of Section 4.2 hereof. Operator shall initially be Rolling Hills, provided, however, that in the event Rolling Hills transfers its interest in the Rolling Hills Tract to a transferee Party such transferee Party shall be the Operator, subject to the approval of the Parties, such approval not to be unreasonably withheld.

1.6 Party.

(A) The term "Party" shall mean (i) Rolling Hills and (ii) Schwartz, respectively, until after compliance with the notice and assumption requirements of Section (B) below, at which time the transferee as provided therein shall become the new Party, and successors to such transferee as provided in (C) below. A Tract and all portions thereof shall be bound by all liabilities and obligations set forth herein regardless of whether any Person who has an interest in such Tract is a Party.

(B) Upon the transfer of a Party's entire interest in a Tract by any means whatsoever, the transferee shall become the Party as to such Tract provided that the transferring Party shall have given notice to all other Parties of such transfer and shall have delivered with such notice a written statement executed by the transferee in which:

(i) the name and address of the transferee shall be disclosed;

(ii) the legal description of the Tract acquired shall be clearly stated.

(C) Any successor to a Party who complies with the provisions of subsection (B) hereof shall be deemed to be a Party hereto and the transferring Party shall be relieved from Party status in the same manner as provided in Sections (A) and (B) for Rolling Hills and Schwartz.

(D) Nothing contained herein to the contrary shall affect the existence, priority, validity, or enforceability of any lien placed upon the transferred portion of the Shopping Center.

(E) The provisions of Section 6.6 shall control as to a sale-leaseback situation.

(F) Notwithstanding anything to the contrary contained herein, the Rolling Hills Tract and the Schwartz Tract shall continue to be bound by this OEA notwithstanding the expiration or termination of the ground lease covering either or both, but upon any such expiration or termination, the former ground lessee under such referenced Lease shall cease to have any rights or obligations accruing under this OEA after the date of such expiration or termination and the fee owner or new lessee of such tract shall thereupon become a Party.

1.7 Person. "Person" shall mean any individual, partnership, firm, association, corporation, trust, or any other form of business or government entity.

1.8 Permittee. "Permittee" shall mean all Occupants and the officers, directors, employees, agents, contractors, customers, vendors, suppliers, visitors, invitees, licensees, subtenants and concessionaires of Occupants insofar as their activities relate to the intended use of the Shopping Center.

1.9 Tract. "Tract" shall mean the Rolling Hills Tract and the Schwartz Tract.

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ARTICLE II
EASEMENTS

2.1 Ingress and Egress. During the term of this OEA each Party hereby grants and conveys to each other Party for their respective uses and for the use of their respective Permittees, in common with others entitled to use the same, a mutual reciprocal non-exclusive easement for the passage and parking of vehicles over and across the parking and driveway areas of the grantor's Tract as the same may from time to time be constructed and maintained for such use and for the passage and accommodation of pedestrians over and across the parking, driveways and sidewalk areas of the grantor's Tract as the same may from time to time be constructed and maintained for such use. Such easement rights shall be subject to the following reservations as well as other provisions contained in this OEA:

- (i) Except for situations specifically provided for in the following subparagraphs, no fence or other barrier which would unreasonably prevent or obstruct the passage of pedestrian or vehicular travel for the purposes herein permitted shall be erected or permitted within or across the easement areas; provided, however, that the foregoing provision shall not prohibit the installation of convenience facilities (such as mailboxes, public telephones, benches or public transportation shelters, bottle recycling facilities required by applicable governmental authorities, bicycle racks and newspaper racks), or landscaping, berms or planters, nor of limited curbing and other forms of traffic controls.
- (ii) No Party shall make changes to the improved Common Area on its Tract without the approval of the other Parties.
- (iii) Each Party further reserves the right to close off its portion of the Common Area for such reasonable period of time as may be legally necessary, in the opinion of such Party's counsel, to prevent the acquisition of prescriptive rights by anyone; provided, however, that prior to closing off any

portion of the Common Area, as herein provided, such Party shall give written notice to each other Party of its intention to do so, and shall attempt to coordinate such closing with each other Party so that no unreasonable interference in the passage of pedestrians or vehicles shall occur.

- (iv) Each Party reserves the right at any time and from time to time to exclude and restrain any Person who is not a Permittee from using its Common Area.

2.2 Utilities.

(A) For so long as the improvements on any Tracts are used as a retail shopping facility, each Party hereby grants and conveys to each other Party mutual reciprocal non-exclusive perpetual easements in, to, over, under, along and across those portions of the Common Area (exclusive of any portion located within a Building Area) located on the grantor's Tract necessary for the installation, operation, flow, passage, use, maintenance, connection, repair, relocation and removal of lines or systems for utilities serving the grantee's Tract including, but not limited to, sanitary sewers, storm drains, water (fire and domestic), gas, electrical, telephone and communication lines. Except with respect to existing utilities located above ground, all utilities shall be underground unless required to be above ground by the utility providing such service. Any Party installing utilities pursuant to the provisions of this subparagraph shall pay all costs and expenses with respect thereto and shall cause all work in connection therewith (including general cleanup and proper surface and/or subsurface restoration) to be completed as quickly as possible and in a manner so as to minimize interference with the use of the Common Area.

(B) The initial location and width of any utility shall be subject to the prior written approval of the Party whose Common Area is to be burdened thereby, such approval not to be unreasonably withheld or delayed. The easement area shall be no wider than whatever is necessary to reasonably satisfy the utility company as to a public utility or five feet (5') on each side of the centerline as to a private line. Upon request of the grantor within forty-five (45) days of the installation of a utility, the grantee at the grantee's sole cost and expense,

shall provide the grantor a copy of an as-built survey showing the location of such utility. The grantor shall have the right at any time to relocate a utility line upon thirty (30) days prior written notice, provided that such relocation:

- (i) shall not interfere with or diminish the utility services to the grantee;
- (ii) shall not reduce or unreasonably impair the usefulness or function of such utility;
- (iii) shall be performed without cost or expense to grantee;
- (iv) shall be completed using materials and design standards which equal or exceed those originally used; and
- (v) shall have been approved by the utility company and the appropriate governmental or quasi-governmental agencies having jurisdiction thereover.

2.3 Footings and Foundations.

In order to accommodate any footings, foundations, columns or walls which may be constructed or reconstructed immediately adjacent to a common boundary line and which may overlap that common boundary line, each Party grants to each other Party a non-exclusive easement in, to, over, under and across that portion of its Tract adjacent to such common boundary line in space not theretofore occupied by any then existing structure for the maintenance and replacement of existing foundations and footings for the replacement and maintenance of existing columns or walls. The grant of easement shall include the reasonable right of access necessary to exercise and enjoy such grant. The easement shall continue in effect for the term of this OEA and thereafter for so long as the building utilizing the easement area exists (including a reasonable period to permit reconstruction or replacement of such building if the same shall be destroyed, damaged, or demolished) and shall include the reasonable right of access necessary to exercise and enjoy such grant.

/ /

ARTICLE III
CONSTRUCTION

3.1 General Requirements.

(A) Each Party agrees that all construction activities performed by it within the Shopping Center shall be performed in compliance with all laws, rules, regulations, orders and ordinances of the city, county, state and federal governments, or any department or agency thereof, affecting improvements constructed within the Shopping Center.

(B) Each Party further agrees that its construction activities shall not:

- (i) cause any unreasonable increase in the cost of constructing improvements upon another Party's Tract;
- (ii) unreasonably interfere with construction work being performed on any other part of the Shopping Center;
- (iii) unreasonably interfere with the use, occupancy or enjoyment of any part of the remainder of the Shopping Center by any other Party or its Permittees;
- (iv) cause any other Party to be in violation of any law, rule, regulation, order or ordinance applicable to its Tract of the city, county, state, federal government, or any department or agency thereof.

(C) Each Party agrees to defend, indemnify and hold harmless each other Party from all claims, actions, proceedings and costs incurred in connection therewith (including reasonable attorneys' fees and costs of suit) resulting from any accident, injury or loss or damage whatsoever occurring to any Person or to the property of any Person arising out of or resulting from the performance of any construction activities performed or authorized by such indemnifying Party.

(D) Prior to constructing, reconstructing, remodeling or enlarging a building or changing the Common Area on its Tract, a Party shall give the other Parties at least thirty (30) days

prior notice of the proposed location of any staging and storage area. All storage of materials and the parking of construction vehicles, including vehicles of workers, shall occur only on the constructing Party's Tract, and all laborers, suppliers, contractors and others connected with such construction activities shall use only the access points located upon the constructing Party's Tract; provided, however, that should the local governmental authorities only allow one (1) access to be used during such construction activities, both Parties shall have the right to utilize said single access with as little interference as possible to the construction activities of each other. If substantial work is to be performed, the constructing Party shall, at the request of any other Party, fence off the staging and storage area. Upon completion of such work, the constructing Party shall restore the affected Common Area to a condition at least equal to that existing prior to commencement of such work.

(E) Each Party hereby grants and conveys to each other Party and to its respective contractors, materialmen and laborers a temporary license for access and passage over and across the Common Area of the grantor's Tract as shall be reasonably necessary for the grantee to construct and/or maintain improvements upon the grantee's Tract; provided, however, that such license shall be in effect only during periods when actual construction and/or maintenance is being performed and provided further that the use of such license shall not be exercised so as to unreasonably interfere with the use and operation of the Common Area by others. Prior to exercising the rights granted herein, the grantee shall first provide the grantor with a written statement describing the need for such license, and shall furnish a certificate of insurance showing that its contractor has obtained the minimum insurance coverage required by 5.2(C) hereof. Any Party availing itself of the temporary license shall promptly pay all costs and expenses associated with such work, shall diligently complete such work as quickly as possible, and shall promptly clean the area and restore the affected portion of the Common Area to a condition which is equal to or better than the condition which existed prior to the commencement of such work. Notwithstanding the foregoing, in the event a dispute exists between the contractors, laborers, suppliers and/or others connected with construction activities, each Party shall have the right to prohibit the contractors, laborers, suppliers and/or others working for another Party from using the Common Area on its Tract.

3.2 Common Area. The Common Area of the Shopping Center has been improved substantially as shown on the Site Plan.

The parking area on each Tract shall contain sufficient ground level (standard and compact automobile size), parking spaces in order to comply with the minimum parking requirements of local governmental authorities, as shown on the Site Plan, which is attached hereto and which is incorporated herein by this reference.

The foregoing requirements as well as all governmental regulations, ordinances and similar orders relating to parking shall be satisfied throughout the term of this OEA and without reliance on the parking spaces that may be available on another Tract. In the event of a condemnation of part of a Tract or sale or transfer in lieu thereof that reduces the number of usable parking spaces below that which is required herein, the Party whose Tract is so affected shall use its best efforts (including using proceeds from the condemnation award or settlement) to restore and/or substitute parking spaces in order to comply with the parking requirements set forth above. If such compliance is not possible, such Party shall not be deemed in default hereunder, but shall not be permitted to expand the amount of Floor Area located upon its Tract. If such Floor Area is thereafter reduced, then it may not subsequently be increased unless the parking requirement is satisfied.

3.3 Building Improvement.

(A) The Parties hereby agree that (i) all buildings may be located only within the Building Areas designated on the Site Plan, and (ii) if a maximum Floor Area designation for any Building Area is shown on the Site Plan, such size limitation shall not be exceeded. Breach of the provisions of this Section 3.3(A) by a Party shall entitle the non-defaulting Party to seek injunctive relief in addition to any other remedies afforded hereunder or at law or in equity.

(B) If a portion of any Building Area is at one point in time paved and used as Common Area, such portion may be subsequently used for building purposes provided that all parking requirements and other provisions relating to such Tract are complied with. Likewise, such building may be subsequently razed, and until replaced, the area shall thereafter be deemed part of the Common Area, and shall be improved to the same standards as the other Common Area, either as automobile parking and drive area or as landscaped area.

ARTICLE IV
MAINTENANCE AND REPAIR

4.1 Utilities.

(A) Each Party shall repair and maintain in first-class condition all utility facilities, lines and systems located on its Tract that serve only its Tract unless the same are maintained by a public or quasi-public utility or authority.

(B) The Party-grantee of a utility easement referred to in Section 2.2(A) (exclusive of an easement in which common utility lines and systems are located, which facilities shall be maintained as part of the Common Area), shall maintain and repair at its cost any facilities installed pursuant to such grant which exclusively serve such Party-grantee's Tract unless the same are granted or dedicated to and accepted by a utility or a governmental agency acceptable to the Party-grantor which agrees to maintain or replace the same. Any maintenance and repair of nondedicated utilities located on another Party's Tract shall be performed only after two (2) weeks notice to the Party-grantor (except in an emergency the work may be initiated with reasonable notice) and shall be done after normal business hours whenever possible and shall otherwise be performed in such a manner as to cause as little disturbance in the use of the Party-grantor's Tract as is practicable under the circumstances. Any Party performing or causing to be performed maintenance or repair work agrees to promptly pay all costs and expenses associated therewith to diligently complete such work as quickly as possible and to promptly clean the area and restore the affected portion of the Common Area to a condition equal to or better than the condition which existed prior to the commencement of such work.

4.2 Common Area.

(A) The minimum standard of maintenance for the improved Common Area shall be comparable to the standards of maintenance followed in other first-class retail developments of comparable size in the South Bay area and in any event in compliance with all applicable governmental laws, rules, regulations, orders and ordinances, and the provisions of this OEA. All Common Area improvements shall be repaired or replaced with materials at least equal to the quality of the materials being repaired or replaced so as to maintain the architectural and aesthetic harmony and integration of the Shopping Center as a whole. The maintenance and repair obligation in any event shall include but not be limited to the following:

90-1831780

- (i) Drive and Parking Areas. Maintaining all paved surfaces and curbs in a smooth and evenly covered condition which maintenance work shall include, without limitation, cleaning, sweeping, re-striping, repairing, resealing and resurfacing. (For the purpose of this Section, an overlay of the drive and parking area shall be considered a repair or maintenance item.)
- (ii) Debris and Refuse. Periodic removal of all papers, debris, filth, refuse, ice and snow, including sweeping to the extent necessary to keep the Common Area in a first-class, clean and orderly condition. All sweeping shall be at appropriate intervals during such times as shall not interfere with the conduct of business or use of the Common Areas by persons intending to conduct business with Occupants of the Shopping Center.
- (iii) Sign and Markers. Placing, cleaning, keeping in repair, replacing and repainting any appropriate directional signs or markers, including any handi-capped parking signs.
- (iv) Lighting. Operating, keeping in repair, cleaning and replacing when necessary such Common Area lighting facilities as may be reasonably required, including all lighting necessary or appropriate for Common Area security.
- (v) Landscaped Areas. Cleaning and maintaining all landscaped areas, including landscaping and planters adjacent to exterior walls of buildings; repairing automatic sprinkler systems or water lines in the Common Area; irrigating, weeding, pruning, fertilizing and replacing shrubs and other landscaping as necessary.

- (vi) Utilities. Maintaining, cleaning and repairing any and all common storm drains, utility lines, sewers and other utility systems and services located in the Common Area which are necessary for the operation of the Common Area, and the maintenance and replacement of the trunk line portion of utility lines serving the Building Area.
- (vii) Obstructions. Keeping Common Area free from any obstructions including those caused by the sale or display of merchandise, unless such obstruction is otherwise permitted under the provisions of this OEA.
- (viii) Sidewalks. Cleaning (including washing and/or steam cleaning), maintenance and repair of all sidewalks, including those adjacent and contiguous to buildings located within the Shopping Center.
- (ix) Security Personnel. Providing of professional security personnel for the Common Area, if reasonably required.
- (x) Traffic. Supervision of traffic at entrances and exits to the Shopping Center and within the Shopping Center as conditions reasonably require in order to maintain an orderly and proper traffic flow.

Notwithstanding anything to the contrary, each Party shall maintain and repair, at its sole cost, in a clean, sightly and safe condition any exterior shipping/receiving dock area, any truck ramp or truck parking area, any refuse, compactor or dumpster area, and any separate utility lines or any lateral utility lines extending to and from common trunk lines.

(B) Commencing on August 1, 1990, Operator shall maintain the same or cause the Common Area to be maintained, in good order, condition and repair. Operator shall have the right, from time to time, to select another Person or Persons to maintain the Common Area; provided, that Operator shall remain

responsible at all times for the maintenance of the Common Area. If Operator selects another Person to maintain the Common Area, such Person shall be a recognized professional commercial property management company, and Operator shall notify the other Parties at least thirty (30) days in advance of the commencement of maintenance by such Person. Operator may hire companies affiliated with it to perform the maintenance and operation of the Common Area, but only if the rates charged by such companies are competitive with those of other companies furnishing similar services in the South Bay area. Each Party hereby grants to Operator, its agents, employees and/or contract Persons a license to enter upon such Party's Tract to discharge Operator's duties to operate, maintain and repair the Common Area pursuant to this Section 4.2.

Operator shall expend only such funds as are reasonably necessary for the operation, maintenance and insurance of the Common Area and shall promptly pay such costs ("Common Area Maintenance Costs") when incurred. For the purpose of this OEA, Common Area Maintenance Costs shall not include real property taxes and assessments.

(C) The Parties' respective shares of the Common Area Maintenance Costs and the Administration Fee shall be determined by multiplying the aggregate amount thereof by a fraction, the numerator of which is the number of square feet of Floor Area within the Party's Tract and the denominator of which is the number of square feet of Floor Area within the Shopping Center. The Parties shall pay to Operator in equal monthly payments, in advance, their respective shares based on Operator's reasonable estimate of such costs. Operator shall reasonably estimate the first calendar year's expense and the Parties shall each make their first payment in the month following Operator's undertaking of such maintenance and repair of the Common Area. Within forty-five (45) days after the end of each calendar year, Operator shall provide the Parties with a certified statement setting forth the actual Common Area Maintenance Costs paid by it for the operation and maintenance of such Common Area, the Administration Fee, and the Parties' respective shares of the aggregate thereof, together with supporting invoices and other materials. If the amount paid by a Party for such calendar year shall have exceeded its share, Operator shall refund the excess to such Party at the time such certified statement is delivered, or if the amount paid by a Party for such calendar year shall be less than its share, such Party shall pay the balance of its share to Operator within thirty (30) days after receipt of such certified statement.

Within two (2) years after receipt of any such certified statement, any Party shall have the right to audit Operator's books and records pertaining to the operation and maintenance of the Common Area for the calendar year covered by such certified statement; such Party notifying Operator of its intent to audit at least fifteen (15) days prior to the designated audit date. In the event that such audit shall disclose any error in the determination of a Party's share of the Common Area Maintenance Costs or the Administration Fee, an adjustment shall be made within fifteen (15) days. The cost of any audit shall be assumed by the auditing Party, unless such Party shall be entitled to a refund which is in excess of five percent (5%) of the amount calculated by Operator as such Party's share for the calendar year, in which case Operator shall pay the cost of such audit.

(D) Operator agrees to defend, indemnify and hold the Parties harmless from and against any mechanic's, materialmen's and/or laborers' liens, and all costs, expenses and liabilities in connection therewith, including reasonable attorney's fees and court costs, arising out of the maintenance by Operator of the Common Area and in the event that a Party's Tract shall become subject to any such lien, Operator shall promptly cause such lien to be released and discharged of record, either by paying the indebtedness which gave rise to such lien or by posting such bond or other security as shall be required by law to obtain such release and discharge.

4.3 Building Improvements.

(A) Each Party covenants and agrees to maintain and keep the building improvements located on its Tract in first-class condition and state of repair, in compliance with all governmental laws, rules, regulations, orders, and ordinances exercising jurisdiction thereover, and in compliance with the provisions of this OEA. Each Party further agrees to store all trash and garbage in adequate containers, to locate such containers so that they are not readily visible from the parking area, and to arrange for regular removal of such trash or garbage.

(B) In the event any of the building improvements are damaged by fire or other casualty (whether insured or not), the Party upon whose Tract such building improvements are located shall remove the debris resulting from such event as soon as is reasonably practicable and provide a sightly barrier and within a

reasonable time thereafter shall either (i) repair or restore the building improvements so damaged, such repair or restoration to be performed in accordance with all provisions of this OEA, or (ii) erect other building improvements in such location, provided all provisions of this OEA are complied with, or (iii) demolish the damaged portion of such building improvements and restore the area to an attractive condition in which event the area shall be Common Area until a replacement building is erected, subject to the provisions of the respective Ground Leases. Such Party shall have the option to choose which of the foregoing alternatives to perform, but such Party shall be obligated to perform one (1) of such alternatives. Such Party shall give notice to each other Party within ninety (90) days from the date of such casualty of which alternative it elects.

ARTICLE V
OPERATION OF THE SHOPPING CENTER

5.1 Uses.

(A) No part of the Shopping Center shall be used for other than retail sales or services, restaurants or commercial purposes. Retail service uses shall mean financial institutions, real estate and stock brokerage offices, travel or insurance agencies and similar uses providing services directly to the public for retail fees as well as other services generally found in shopping centers in Southern California.

(B) No use shall be permitted in the Shopping Center which is inconsistent with the operation of a first-class retail shopping center. Without limiting the generality of the foregoing, the following uses shall not be permitted:

- (i) Any use which emits an obnoxious odor, noise, or sound which can be heard or smelled outside of any building in the Shopping Center;
- (ii) Any operation primarily used as a warehouse operation and any assembling, manufacturing, distilling, refining, smelting, agricultural, or mining operation;
- (iii) Any "second hand" store;

- (iv) Any mobile home park, trailer court, labor camp, junkyard, or stockyard (except that this provision shall not prohibit the temporary use of construction trailers during periods of construction, reconstruction, or maintenance);
- (v) Any fire sale, bankruptcy sale (unless pursuant to a court order) or auction house operation;
- (vi) Any flea market;
- (vii) Any hotel, motor inn, living quarters, sleeping apartments or lodging rooms;
- (viii) Any mortuary;
- (ix) Any massage parlor or adult bookstore.

5.2 Insurance.

(A) Operator shall maintain or cause to be maintained in full force and effect Comprehensive Public Liability Insurance covering the Common Area of the Shopping Center with a combined single limit of liability of not less than Three Million Dollars (\$3,000,000.00) for bodily or personal injury or death, and for property damage, arising out of any one (1) occurrence. Such insurance shall include the following provisions:

- (i) shall provide that the policy may not be cancelled or materially reduced in amount or coverage without at least thirty (30) days written notice by the insurer to each insured;
- (ii) shall name the Parties and their respective mortgagees as named insureds;
- (iii) shall provide for severability of interests;
- (iv) shall provide that an act or omission of one (1) of the insureds or additional

insureds which would void or otherwise reduce coverage, shall not reduce or void the coverage as to the other named insureds; and

- (v) shall provide for contractual liability coverage with respect to the indemnity obligation set forth below.

Operator covenants to defend, indemnify and hold harmless the other Parties and their directors, officers, agents, representatives and employees from and against all claims, including any action or proceeding brought thereon, and all costs, expenses and liabilities (including reasonable attorneys' fees) asserted or incurred in connection with or arising as a result of the death of, or any injury, loss or damage whatsoever to any Person, or to the property of any Person, as shall occur due to the performance or failure to perform by Operator of its duties or obligations with respect to the maintenance of the Common Area, except for claims caused by the negligence or by the willful act or omission of a Party other than Operator or its directors, officers, contractors, licensees, concessionaires, agents, representatives or employees.

(B) Except to the extent coverage is provided by the insurance required to be maintained under (A) above, each Party (as to its Tract) shall maintain or cause to be maintained in full force and effect Comprehensive Public Liability Insurance with a combined single limit of liability of not less than Three Million Dollars (\$3,000,000.00) for bodily or personal injury or death, and for property damage, arising out of any one (1) occurrence. Such insurance shall include the following provisions:

- (i) shall provide that the policy may not be cancelled or materially reduced in amount or coverage without at least thirty (30) days prior written notice by the insurer to each insured and any additional insureds;
- (ii) shall name the other Parties and their respective mortgagees as additional insureds;
- (iii) shall provide for severability of interests;

90-1831780

(iv) shall provide that an act or omission of one (1) of the insureds or additional insureds which would void or otherwise reduce coverage, shall not reduce or void the coverage as to the other additional insureds or the insured, respectively; and

(v) shall provide for contractual liability coverage with respect to the indemnity obligation set forth below.

Each Party ("Indemnitor") covenants and agrees to indemnify, defend and hold harmless the other Party ("Indemnitee") from and against all claims, costs, expenses and liability (including reasonable attorneys' fees and cost of suit incurred in connection with all claims) including any action or proceedings brought thereon, arising from or as a result of the injury to or death of any Person, or damage to the property of any Person which shall occur on the Tract owned by each Indemnitor, except for claims caused by the negligence or willful act or omission of such Indemnitees, its licensees, concessionaires, agents, servants, or employees, or the agents, servants, or employees of any licensee or concessionaire thereof. For the purposes hereof, "Indemnitor" shall include Teachers Insurance and Annuity Association of America, a New York corporation ("Teachers") only during the period of its ownership of the leasehold estate of the Rolling Hills Tract and only for claims arising during the period of its ownership of the leasehold estate of the Rolling Hills Tract, and such indemnity, for the benefit of Teachers as Indemnitee, shall be effective from and after the date on which Teachers shall make a mortgage loan covering all or any portion of the Rolling Hills Tract and shall remain in effect so long as Teachers is a mortgagee and/or has any other interest including, without limitation, a leasehold interest (through foreclosure, or otherwise) in all or any portion of the Rolling Hills Tract.

(C) Prior to commencing any construction activities within the Shopping Center, each Party shall obtain or require its contractor to obtain and thereafter maintain so long as such construction activity is occurring, at least the minimum insurance coverages set forth below:

(1) Workers' Compensation - statutory limits

(ii) Employer's Liability - \$100,000

(iii) Comprehensive General and Comprehensive Auto Liability as follows:

- (a) Bodily Injury - \$1,000,000 per occurrence
- (b) Property Damage - \$1,000,000 per occurrence
- (c) Independent Contractors Liability or Owner's Protective Liability; same coverage as set forth in (a) and (b) above;
- (d) Products/Completed Operations Coverage which shall be kept in effect for two (2) years after completion of work;
- (e) "XCU" Hazard Endorsement, if applicable;
- (f) "Broad Form" Property Damage Endorsement;
- (g) "Personal Injury" Endorsements;
- (h) "Blanket Contractual Liability" Endorsement.

If the construction activity involves the use of another Party's Tract, then the owner of such Tract and its mortgagee shall be additional named insureds and such insurance shall provide that the same shall not be cancelled without at least thirty (30) days prior written notice to the named insureds. If such insurance is cancelled or expires, then the constructing Party shall immediately stop all work on or use of another Party's Tract until either the required insurance is reinstated or replacement insurance obtained.

(D) Each Party will carry or cause to be carried, fire insurance with an extended coverage endorsement with a financially responsible insurance company or companies, in an amount at least equal to ninety percent (90%) of the replacement cost (exclusive of the cost of excavation, foundations, and footings) of the buildings and improvements, such coverage extending at least to the following perils: loss or damage by fire, windstorm, cyclone, tornado, hail, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, vehicle, smoke damage and sprinkler leakage.

Each Party (the "Releasing Party") hereby releases and waives for itself and on behalf of its insurer, any other Party (the "Released Party") from any liability for any loss or damage to all property of such Releasing Party located upon any portion of the Shopping Center, which loss or damage is of the type generally covered by fire insurance with an extended coverage endorsement, irrespective either of any negligence on the part of the Released Party which may have contributed to or caused such loss, or of the amount of such insurance required or actually carried. Each Party agrees to use its best efforts to obtain, if needed, appropriate endorsements to its policies of insurance with respect to the foregoing release; provided, however, that failure to obtain such endorsements shall not affect the release hereinabove given. Each Party ("Indemnitor") covenants and agrees to indemnify, defend and hold harmless each other Party ("Indemnitee") from and against all claims asserted by or through any Permittees of the Indemnitor's Tract for any loss or damage to the property of such Permittee located upon the respective Indemnitor's Tract, which loss or damage is of the type generally covered by fire insurance with an extended coverage endorsement irrespective of any negligence on the part of the Indemnitee which may have contributed to or caused such loss.

(E) All insurance required by Section 5.2 shall be procured from companies licensed in the State where the Shopping Center is located and shall be rated by Best's Insurance Reports not less than A/X; the limits of such policies shall be reviewed by the Parties and approved as to sufficiency at least every five (5) years. The insurance may be carried under (i) an individual policy covering this location, (ii) a blanket policy or policies which include(s) other liabilities, properties and locations of such Party, or (iii) a combination of any of the foregoing insurance programs. To the extent any deductible is permitted or allowed as a part of any insurance policy carried by a Party in compliance with Section 5.2, such Party shall be deemed to be covering the amount thereof under an informal plan of self-insurance; provided, however, that in no event shall any deductible exceed Fifty Thousand Dollars (\$50,000.00) unless such Party qualifies for self-insurance pursuant to (iii) above. Each Party agrees to furnish to any Party requesting the same, a certificate(s) of insurance evidencing that the insurance required to be carried by such requested Party is in full force and effect.

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5.3 Taxes and Assessments. Each Party shall pay, or cause to be paid prior to delinquency, all taxes and assessments with respect to its Tract, the buildings, and improvements located thereon and any personal property owned or leased by such Party in the Shopping Center; provided, that if the taxes or assessments or any part thereof may be paid in installments, the Party may pay each such installment as and when the same becomes due and payable. Nothing contained in this subsection shall prevent any Party from contesting at its cost and expense any such taxes and assessments with respect to its Tract in any manner such Party elects, so long as such contest is maintained with reasonable diligence and in good faith. At the time such contest is concluded (allowing for appeal to the highest appellate court), the contesting Party shall promptly pay all such taxes and assessments determined to be owing, together with all interest, penalties and costs thereon.

5.4 Liens. In the event any mechanic's lien is filed against a Party's Tract as a result of services performed or materials furnished for the use of another Party, the Party permitting or causing such lien to be so filed agrees to cause such lien to be discharged prior to entry of final judgment (after all appeals) for the foreclosure of such lien and further agrees to indemnify, defend, and hold harmless the other Party and its Tract against liability, loss, damage, costs or expenses (including reasonable attorneys' fees and cost of suit) on account of such claim or lien. Upon request of the Party whose Tract is subject to such lien, the Party permitting or causing such lien to be filed agrees to promptly cause such lien to be released and discharged of record, either by paying the indebtedness which gave rise to such lien or by posting bond or other security as shall be required by law to obtain such release and discharge. Nothing herein shall prevent a Party permitting or causing such lien from contesting the validity thereof in any manner such Party chooses so long as such contest is pursued with reasonable diligence. In the event such contest is determined adversely (allowing for appeal to the highest appellate court), such Party shall promptly pay in full the required amount, together with any interest, penalties, costs or other charges necessary to release such lien.

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ARTICLE VI
MISCELLANEOUS

6.1 Default.

(A) If any Party fails to comply with any provision herein ("Defaulting Party"), then any other Party ("Non-Defaulting Party") may, upon forty-five (45) days prior written notice to the Defaulting Party, proceed to cure the default (and shall have a license to do so) by the payment of money or performance of some other action for the account of the Defaulting Party. The foregoing right to cure shall not be exercised if within the forty-five (45) day notice period (i) the Defaulting Party cures the default, or (ii) if the default is curable, but cannot reasonably be cured within that time period, the Defaulting Party begins to cure such default within such time period and diligently pursues such action to completion. The forty-five (45) day notice period shall not be required if, using reasonable judgment, the Non-Defaulting Party deems that an emergency exists which requires immediate attention. In the event of such an emergency, the Non-Defaulting Party shall give whatever notice to the Defaulting Party as is reasonable under the circumstances. Notwithstanding anything herein contained to the contrary, each Party's mortgagee shall have the right to cure a Party's default, in the same manner as the Approved Leasehold Mortgagee (as defined in the respective Ground Leases) has the right to cure such Party's default under such Ground Lease, and a cure of such default by such mortgagee shall be deemed to be a cure by such Party, for all intents or purposes.

(B) Within ten (10) days of written demand (including providing copies of invoices reflecting costs) the Defaulting Party shall reimburse the Non-Defaulting Party for any sum reasonably expended by the Non-Defaulting Party to cure the default, together with interest thereon.

(C) In the event any Party shall institute any action or proceeding against another Party relating to the provisions of this OEA, or if any default hereunder, or to collect any amounts owing hereunder, or if an arbitration proceeding is commenced by agreement of the Parties to any dispute, the unsuccessful litigant in such action or proceeding shall reimburse the successful litigant in connection with such action or proceeding and any appeals therefrom, including attorneys' fees and court costs.

90-1831780

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(B) Within ten (10) days of written demand (including providing copies of invoices reflecting costs) the Defaulting Party shall reimburse the Non-Defaulting Party for any sum reasonably expended by the Non-Defaulting Party to cure the default, together with interest thereon.

(C) In the event any Party shall institute any action or proceeding against another Party relating to the provisions of this OEA, or if any default hereunder, or to collect any amounts owing hereunder, or if an arbitration proceeding is commenced by agreement of the Parties to any dispute, the unsuccessful litigant in such action or proceeding shall reimburse the successful litigant in connection with such action or proceeding and any appeals therefrom, including attorneys' fees and court costs.

90-1831780

(D) All remedies are cumulative and shall be deemed additional to any and all other remedies to which any Party may be entitled in law or in equity. Each Party shall also have the right to restrain by injunction any violation or threatened violation by any other Party of any of the terms, covenants or conditions of this OEA, or to obtain a decree to compel performance of any such terms, covenants or conditions; it being agreed that the remedy at law for a breach of any such term, covenant or condition (except those, if any, requiring the payment of a liquidated sum) is not adequate.

6.2 Interest. Wherever and as often as one Party shall not have paid any sum payable hereunder to another Party within five (5) days of the due date, such delinquent Party shall pay interest on such amount from the due date to and including the date such payment is received by the Party entitled thereto, at the lesser of:

(A) The highest rate permitted by law to be paid on such type of obligation by the Party obligated to make such payment or the Party to whom such payment is due, whichever is less; or

(B) Two percent (2%) per annum in excess of the prime rate from time to time publicly announced by Security Pacific National Bank, Los Angeles, each change in said rate to be effective as of the date of said change.

6.3 Estoppel Certificate. Each Party and signatory hereto agrees that within ten (10) business days after written request (which shall not be more frequent than three (3) times during any calendar year) of the other Party, it will issue to a prospective mortgagee or successor of such other Party or to such other Party, an estoppel certificate stating to the best of the issuer's knowledge that as of such date:

(A) whether the Party to whom the request has been directed knows of any default by the requesting Party under this OEA, and if there are known defaults, specifying the nature thereof;

(B) whether this OEA has been assigned, modified or amended in any way by the requested Party (and if its has, then stating the nature thereof);

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90-1831780

(C) whether this OEA is in full force and effect;

Such statement shall act as a waiver of any claim by the Party or signatory furnishing it to the extent such claim is based upon facts contrary to those asserted in the statement and to the extent the claim is asserted against a bona fide encumbrancer or purchaser for value without knowledge of facts to the contrary of those contained in the statement, and who has acted in reasonable reliance upon the statement; however, such statement shall in no event subject the Party or signatory furnishing it to any liability whatsoever, notwithstanding the negligent or otherwise inadvertent failure of such Party or signatory to disclose correct and/or relevant information.

6.4 Notices. All notices, demands, statements and requests (collectively the "notice") required or permitted to be given under this OEA must be in writing and shall be deemed to have been properly given or served as of the date hereinafter specified: (i) on the date of personal service upon the person to whom the notice is addressed or if such person is not available the date such notice is left at the address of the person to whom it is directed, (ii) on the date which is forty-eight (48) hours following the date on which the notice is postmarked by the United States Post Office, provided it is sent prepaid, registered or certified mail, return receipt requested, and (iii) on the date the notice is delivered by a courier service (including Federal Express, Express Mail, Emery or similar operation) or facsimile or telecopier to the address of the person to whom it is directed, provided it is sent prepaid, return receipt requested, if applicable. The address of the signatories to this OEA is set forth below.

Rolling Hills:	Rolling Hills Plaza Shopping Center Attention: Mr. Norman R. La Caze 2601 Airport Drive, Suite 300 Torrance, California 90505
Schwartz:	Schwartz Investment Company Attention: Mr. Abe Schwartz 119 North San Vicente Boulevard Suite 209 Beverly Hills, California 90211
City:	City of Torrance Attention: City Clerk 3031 Torrance Boulevard Torrance, California 90503

Each Party, or other person or entity entitled to receive notice hereunder, shall have the right from time to time and at any time, upon at least ten (10) days prior written notice thereof in

accordance with the provisions hereof, to change its respective address and to specify any other address within the United States of America; provided, however, notwithstanding anything herein contained to the contrary, in order for the notice of address change to be effective it must actually be delivered. Refusal to accept delivery of a notice or the inability to deliver a notice because of an address change which was not properly communicated shall not defeat or delay the giving of a notice.

6.5 Approval Rights. Unless otherwise herein provided, whenever approval is required, such approval shall not be unreasonably withheld or delayed. Unless provision is made for a specific time period, approval shall be given or withheld within thirty (30) days of the receipt of the request for approval.

6.6 Sale-Leaseback.

(A) For purposes of this Section "Sale-Leaseback" means a transfer in which a Party sells or assigns its Tract to an unaffiliated third party and thereafter enters into a net lease for such Tract with such third party or its lessee or sublessee.

(B) In the event any Party enters into a Sale-Leaseback transaction, then in such event so long as the Lease is of full force and effect, the transferor shall remain the Party and the transferee shall be treated the same as a mortgagee who is not in possession is treated. The transferor may be relieved of Party status as otherwise provided in this Agreement.

6.7 Binding Effect. The terms of this OEA, each restriction and covenant contained herein and all easements granted hereunder shall constitute covenants running with the land and shall inure to the benefit of and be binding upon the signatories hereto and their respective successors and assigns.

6.8 Singular and Plural. Whenever required by the context of this OEA, the singular shall include the plural, and vice versa, and the masculine shall include the feminine and neuter genders, and vice versa.

6.9 Counterparts and Signature Pages. This OEA may be executed in several counterparts, each of which shall be deemed an original. The signatures to this OEA may be executed and

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notarized on separate pages, and when attached to this OEA shall constitute one (1) complete document.

6.10 Negation of Partnership. Neither anything in this OEA contained, nor any acts of the Parties or the City shall be deemed or construed by any Person to create the relationship of principal and agent, or of Partnership, or as joint venture, or of any association between any of the Parties or between any Party and the City.

6.11 Not a Public Dedication. Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Shopping Center or of any Tract or portion thereof to the general public, or for any public use or purpose whatsoever. Except as herein specifically provided, no right, privileges or immunities of any Party hereto shall inure to the benefit of any third-party Person, nor shall any third-party Person be deemed to be a beneficiary of any of the provisions contained herein.

6.12 Excusable Delays. Whenever performance is required of any Party hereunder, that Party shall use all due diligence to perform and take all necessary measures in good faith to perform; provided, however, that if completion of performance shall be delayed at any time by reason of acts of God, war, civil commotion, riots, strikes, picketing or other labor disputes, unavailability of labor or materials, damage to work in progress by reason of fire or other casualty, or any cause beyond the reasonable control of a Party, then the time for performance as herein specified shall be appropriately extended by the amount of the delay actually so caused. The provisions of this section shall not operate to excuse any Party from the prompt payment of any monies required by this OEA.

6.13 Severability. Invalidation of any of the provisions contained in this OEA, or of the application thereof to any person by judgment or court order, shall in no way affect any of the other provisions hereof or the application thereof to any other person and the same shall remain in full force and effect.

6.14 Amendments, Terminations, Consents and Approvals. This OEA may be amended or terminated by, and only by, a written agreement signed by all of the then current Parties and the City and shall be effective only when recorded in the county and state where the Shopping Center is located. No consent to the amendment of this OEA shall ever be required of any Occupant or

Person other than the Parties and the City, nor shall any Occupant or Person other than the Parties or the City have any right to enforce any of the provisions hereof.

6.15 Captions and Capitalized Terms. The captions preceding the text of each Article and Section are included only for convenience of reference. Captions shall be disregarded in the construction and interpretation of this OEA. Capitalized terms are also selected only for convenience of reference and do not necessarily have any connection to the meaning that might otherwise be attached to such term in a context outside of this OEA.

6.16 Minimization of Damages. In all situations arising out of this OEA, all Parties shall attempt to avoid and minimize the damages resulting from the conduct of any other Party. Each Party hereto shall take all reasonable measures to effectuate the provisions of this OEA.

6.17 OEA Shall Continue Notwithstanding Breach. It is expressly agreed that no breach of this OEA shall (i) entitle any Party to cancel, rescind or otherwise terminate this OEA, or (ii) defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to any part of the Shopping Center. However, such limitation shall not affect in any manner any other rights or remedies which a Party may have hereunder by reason of any such breach.

6.18 Time. Time is of the essence of this OEA.

6.19 Non-Waiver. The failure of any Party to insist upon strict performance of any of the terms, covenants or conditions hereof shall not be deemed a waiver of any rights or remedies which that Party may have hereunder or at law or equity and shall not be deemed a waiver of any subsequent breach or default in any of such terms, covenants or conditions.

6.20 Release From Liability. In the event of any sale or transfer of all of a Party's interest in its Tract to any third party or parties, the transferor shall be released of all liability thereafter accruing under this OEA; provided, however, that such third party or third parties shall assume, in writing, all of the obligations of the transferor to be performed under this OEA with respect to the property so transferred and a copy of such assumption is delivered to all other Parties. Any such transferee shall be automatically bound by and subject to the provisions of this OEA upon such sale or transfer.

6.21 Toxic Substances. Neither Party shall cause nor permit the presence, use or storage in such amounts, or in such a manner, as would violate applicable law, any toxic substances or hazardous waste materials in the Shopping Center. Each Party hereby agrees to indemnify, defend and hold the other Party harmless from and against any and all loss, cost, expense and liability (including reasonable attorneys' fees), relating to claims for damage to property or injury to persons, which arise from or are in any way connected to, the presence, use or storage of such toxic substances or hazardous waste materials on such Party's Tract including, but not limited to, damage to property of the other Party and/or injury to the agents, servants, employees, tenants and/or invitees of the other Party.

6.22 Condemnation. In the event of a condemnation or a sale in lieu thereof, concerning a portion or all of the Shopping Center, the award or purchase price paid for such taking with respect to each Tract shall be paid to the Party owning such land so taken; it being the intent of any other Party who might have an easement or other property interest or right under this OEA in the Tract of another Party so taken, to release and/or waive such property interest or right with respect to such award or purchase price; provided, however, such other Party shall have the right to seek an award or compensation for the loss of its easement rights to the extent such award or compensation paid or allocated for such loss does not reduce or diminish the amount paid to the Party owning the land. Notwithstanding the above, this Section 6.22 is not intended to and shall not alter any allocation of any award between the owner of any Tract so taken and any lessee of such owner pursuant to any lease or other agreement.

6.23 Former Agreements. This Agreement supersedes that certain Parking Lot Agreement and Grant of Easements and Parking Rights, recorded July 22, 1959 as Document No. 4367 in Official Records of the County of Los Angeles, State of California, as amended by documents recorded July 25, 1961 as Instrument No. 4263; January 9, 1962 as Instrument No. 4822; May 3, 1962 as Instrument No. 5244; and by Document No. 85-728683 recorded June 24, 1985, all of official records of said Los Angeles County ("Existing REA"). Effective upon the date of recordation of this Agreement in the Office of the County Recorder of Los Angeles County, the original REA shall be terminated and shall be of no further force and effect.

/ /

6.24 Inconsistencies With Ground Leases. The Parties recognize that the terms, covenants, conditions and requirements contained in this OEA may be different from and/or greater than, the requirements set forth in the Ground Lease pursuant to which Schwartz occupies the Schwartz Ground Lease Tract ("Schwartz Ground Lease") and/or the Ground Lease pursuant to which La Caze occupies the La Caze Ground Lease Tract ("La Caze Ground Lease"). By way of illustration, but not by way of limitation, it is acknowledged that some insurance requirements contained in this OEA may be greater than similar requirements contained in either Ground Lease. With respect to any such difference and/or conflict, between the requirements in this OEA and/or any similar requirements contained either Ground Lease, it is expressly agreed that compliance by a Party with the requirements of its Ground Lease shall be deemed, for all intents and purposes, compliance with the requirements of this OEA.

ARTICLE VII

TERM

7.1 Term of this OEA. This OEA shall be effective as of the date first above written and shall continue in full force and effect until 11:59 p.m. on December 31, 2041; provided, however, that the easements referred to in Article II hereof which are specified as being perpetual or as continuing beyond the term of this OEA shall continue in force and effect as provided therein. Upon termination of this OEA, all rights and privileges derived from and all duties and obligations created and imposed by the provisions of the OEA, except as relates to the easements mentioned above, shall terminate and have no further force or effect; provided, however, that the termination of this OEA shall not limit or affect any remedy at law or in

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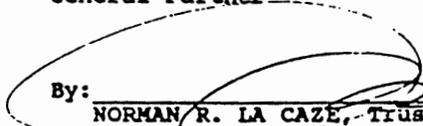
equity that a Party may have against any other Party with respect to any liability or obligation arising or to be performed under this OEA prior to the date of such termination.

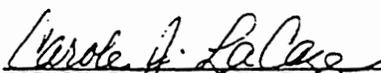
IN WITNESS WHEREOF, the Parties have caused this OEA to be executed as of the day and year first above written.

"ROLLING HILLS"

ROLLING HILLS PLAZA SHOPPING CENTER,
a California Limited Partnership

BY: LA CAZE PARTNERSHIP,
a California Limited Partnership
General Partner

By: 
NORMAN R. LA CAZE, Trustee
of the La Caze Family Trust
"General Partner"

By: 
CAROLE J. LA CAZE, Trustee
of the La Caze Family Trust
"General Partner"

"SCHWARTZ"

SCHWARTZ INVESTMENT COMPANY,
a California limited partnership

BY: A.S.F. INVESTMENTS,
a California Limited Partnership
General Partner

By: 
Abe Schwartz
General Partner

BY: BSF INVESTMENTS,
a California Limited Partnership
General Partner

BY: 
Ben Schwartz
General Partner

21

CONSENT AND APPROVAL:

The City of Torrance, a public body, is the fee owner of those certain parcels of land located in the County of Los Angeles, City Torrance, State of California more particularly described in Exhibits "A", "A-1" and "B" to the Operation and Easement Agreement of Rolling Hills Plaza (hereinafter referred to as the "OEA") to which this Consent and Approval is attached (the "Property") and is the Ground Lessor under those certain Ground Leases referred to in the OEA, to Rolling Hills and to Schwartz, respectively, covering the Property.

City hereby consents to and approves the provisions of the OEA covering the Property, executed by Rolling Hills Plaza Shopping Center, a California limited partnership and by Schwartz-Torrance Investment Corporation, a California corporation.

City expressly recognizes and agrees that the provisions of and the covenants, restrictions and easements created by the OEA shall be binding upon City's fee title to the Property as hereinafter provided. City hereby joins in the grant to the respective Grantees of the OEA of the easements in favor of said Grantees and the Tracts set forth in the OEA pursuant to the provisions of the grants of easements in the OEA. This Consent and Approval by City shall not be and shall not be deemed to be, a modification of or amendment to any provision, covenant, restriction or requirement in either the Rolling Hills Ground Lease or the Schwartz Ground Lease, it being the express intent of the City that each and every restriction, covenant, requirement, obligation, duty and responsibility contained in each Ground Lease shall remain in full force and effect and unmodified, and it being the further express intent of the City that in the event of any conflict between the terms, covenants, provisions, requirements, restrictions, duties and obligations in the Ground Leases, and any of the terms and provisions of the OEA, the terms of such Ground Leases shall prevail.

The intent of City in consenting to and approving the OEA, is to expedite and assist in the granting of the easements by the Parties and the assuring of the operation of the Property as an integrated shopping center.

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This Consent and Approval is made subject to the express agreement and condition that City, in its capacity of fee owner does not assume any of the obligations of the Parties or either of them, or any Grantees under the OEA and that this Consent and Approval is for the purpose of subjecting the Property to the restrictions and easement created thereby for the term of the OEA. At any time after the termination of the interest of either Party in its Ground Lease, City may relet the Property to a new Lessee to perform the obligations of the Party under the Ground Lease and the OEA. Upon the reletting of the Property, the provisions of this Consent and Approval shall continue to be binding upon the City. Nothing contained in the OEA or in this Consent and Approval is intended to release any Party from its obligations under the OEA or under its Ground Lease. The agreements made by City in this Consent and Approval are intended to be and shall be covenants running with the land constituting the Property and the various parcels comprising the Property as identified in the OEA, and shall be binding upon City and its successors and assigns for the benefit of the Parties and their successors and assigns.

By executing this Consent and Approval, the City hereby agrees that in the event that either Ground Lease shall terminate or otherwise expire, prior to the expiration of all the Ground Leases, then City shall not take any action, nor permit any new lessee to take any action, nor permit any other land use, which would interfere with or prevent the carrying out of the terms of the OEA, or interfere with the operation of the Shopping Center as an integrated shopping center facility.

IN WITNESS WHEREOF the City has executed this Consent and Approval this 5th day of October, 1990.

CONSENT:

ACKNOWLEDGMENT:

"CITY"

CITY OF TORRANCE, a municipal corporation

By: *Faty Seessell*
Mayor

Attest:

John A. Brumbell
City Clerk

APPROVED AS TO FORM
KENNETH L. NELSON
CITY ATTORNEY

BY: *W. D. [Signature]*

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

36

On this 5th day of October, in the year 1990,
before me, the undersigned, a Notary Public in and for said
County and State, personally appeared KATY GEISSERT and JOHN
A. BRAMHALL personally known to me to be the persons who
executed the within document as Mayor and City Clerk,
respectively, on behalf of THE CITY OF TORRANCE and
acknowledged to me that said City executed the same.

WITNESS my hand and official seal.

90-1831780

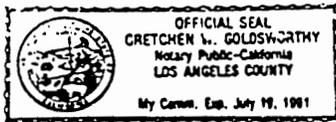


Marilyn van Oppen
Marilyn van Oppen

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

On September 13, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared NORMAN R. LA CAZE, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Trustee of the La Caze Family Trust and to be the person whose name is subscribed to the within instrument as General Partner of La Caze Partnership, the partnership that executed the within instrument, and acknowledged to me that he executed the same as such Trustee, and acknowledged to me that such partnership executed the same as general partner of Rolling Hills Plaza Shopping Center, such last named partnership being the partnership which executed the within instrument.

WITNESS my hand and official seal.



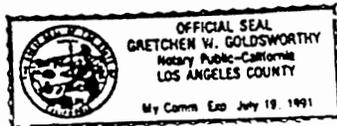
Gretchen W. Goldsworthy
Notary Public

(SEAL)

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

On September 13, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared CAROLE J. LA CAZE, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Trustee of the La Caze Family Trust and to be the person whose name is subscribed to the within instrument as General Partner of La Caze Partnership, the partnership that executed the within instrument, and acknowledged to me that she executed the same as such Trustee, and acknowledged to me that such partnership executed the same as general partner of Rolling Hills Plaza Shopping Center, such last named partnership being the partnership which executed the within instrument.

WITNESS my hand and official seal.



Gretchen W. Goldsworthy
Notary Public

(SEAL)

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.:

On September 21, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared ABE SCHWARTZ, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as General Partner of A.S.F. Investments, the partnership therein named, said partnership being known to me to be one of the partners of Schwartz Investment Company, the partnership that executed that executed the within instrument, and acknowledged to me that such partnership executed the same as such partner and that such last named partnership executed the same.

WITNESS my hand and official seal.



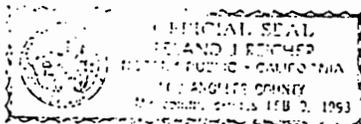
Island J. Reichert
Notary Public

(SEAL)

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.:

On September 21, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared BEN SCHWARTZ, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as General Partner of B.S.F. Investments, the partnership therein named, said partnership being known to me to be one of the partners of Schwartz Investment Company, the partnership that executed that executed the within instrument, and acknowledged to me that such partnership executed the same as such partner and that such last named partnership executed the same.

WITNESS my hand and official seal.



Island J. Reichert
Notary Public

(SEAL)

37

EXHIBIT "A"
Rolling Hills Tract 1

PARCEL 1

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of said County, more particularly described as follows:

Beginning at a point in the Northerly line of Pacific Coast Highway, 100.00 feet wide, as described in the deed to the State of California, recorded in Book 12743, Page 23 of Official Records in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as Parcel "D" under Parcels 8-40, 9-2, in complaint in case no. 572730 of the Superior Court of said County, said point being the True Point of Beginning; thence along said Northerly line South $48^{\circ}45'20''$ East 210.00 feet; thence North $41^{\circ}14'40''$ East 209.00 feet; thence North $48^{\circ}45'20''$ West 188.68 feet to the Southeasterly line of Crenshaw Boulevard 100.00 feet wide, said strip of land described as Parcel "A" under said Parcels 8-40, 9-2 in complaint in Case No. 572730 of the Superior Court of said County; thence along said Southeasterly line South $52^{\circ}25'41''$ West 193.04 feet; thence South $01^{\circ}50'10''$ West 25.39 feet to the True Point of Beginning. Contains 1.00+/- Acres.

Excepting therefrom that portion along Pacific Coast Highway and adjacent thereto to Parcel 1 more particularly described as follows:

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map filed in Book 170, Pages 10 to 12 inclusive, of Maps, in the Office of the County Recorder of said County, being described as follows:

Beginning at a point in the Northeasterly line of Pacific Coast Highway, 100.00 feet wide, as described in deed to the State of California, recorded in Book 12743, Page 23 of Official Records, in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as parcel "D" under parcels 8-40, 9-2, in complaint in Case No. 572730 of the Superior Court of said County; thence along said Northeasterly line, South $48^{\circ}45'20''$ East, 470.93 feet; thence North $45^{\circ}36'26''$ West, 59.01 feet to a point of tangency with a curve concave Southwesterly and having a radius of 1828.00 feet; thence Northwesterly along said curve, through a central angle of $3^{\circ}08'54''$, an arc distance of 100.45 feet to a point of tangency with a line bearing South $48^{\circ}45'20''$ East; thence North $48^{\circ}45'20''$ West, 300.00 feet to a point of tangency with a curve concave Easterly and having a radius of 25.00 feet; thence Northwesterly, Northerly and Northeasterly along said curve, through a central angle of $101^{\circ}11'01''$, an arc distance of 44.15 feet to a point of tangency with a line bearing North $52^{\circ}25'41''$ East, said line being the Southeasterly line of that parcel of land described as Parcel "A" under said Parcels 8-40, 9-2, said line being now recognized and accepted as the Southeasterly line of Crenshaw Boulevard (100.00 feet wide); thence South $52^{\circ}25'41''$ West, along said Southeasterly line, a distance of 16.55 feet; thence South $1^{\circ}50'10''$ West, 25.39 feet to the point of beginning, containing therein 0.059+/- Acres.

PARCEL 2

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of said County, more particularly described as follows:

Beginning at a point in the Northerly line of Pacific Coast Highway, 100.00 feet wide, as described in the deed to the State of California, recorded in Book 12743, Page 23 of Official Records in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as Parcel "D" under Parcels 8-40, 9-2, in complaint in case no. 572730 of the Superior Court of said County; thence along said Northerly line South 48°45'20" East 545.00 feet to the True Point of Beginning; thence North 41°14'40" East 700.00 feet; thence North 48°45'20" West 125.00 feet; thence South 41°14'40" West 74.00 feet; thence North 48°45'20" West 263.58 feet; thence South 52°25'41" West 138.66 feet; thence South 48°45'20" East 85.69 feet; thence South 41°16'35" West 90.44 feet; thence North 48°45'20" West 156.18 feet to a point in the Southeasterly line of Crenshaw Boulevard, 100.00 feet wide, said strip of land described as Parcel "A" under said Parcels 8-40, 9-2, in complaint in Case No. 572730 of the Superior Court of said County; thence along said Southeasterly line North 52°25'41" East 932.23 feet; thence south 27°34'19" East 246.00 feet; thence North 52°25'41" East 286.66 feet to a point in the Easterly line of said Lot 1; thence along said Easterly line South 00°11'20" West 1671.69 feet to the Northerly line of Pacific Coast Highway; thence along said Northerly line North 89°48'35" West 26.53 feet to the beginning of a tangent curve concave Northerly; thence Westerly along said curve, having a radius of 1096.28 feet, through a central angle of 41°03'15", a length of 785.52 feet; thence North 48°45'20" West 349.67 feet to the True Point of Beginning. Contains 27.50+/- Acres.

Rolling Hills Tract 2

The surface rights only to the certain land situated in the City of Torrance, County of Los Angeles, State of California, described as follows to-wit:

That portion of the twenty (20) foot wide strip of land described in the Deed to the Murvale Company, dated November 13, 1967, and recorded November 28, 1967, in Book D3842, at Page 453, Official Records of said County, and more particularly described as follows:

That certain portion of said twenty (20) foot wide strip of land 1687+ feet in length, situated easterly of Crenshaw Boulevard, northerly of Pacific Coast Highway and westerly adjacent to the boundary line of the City of Lomita and to that area shaded in grey, as shown on a drawing marked Exhibit "A", page 3, attached hereto and made a part hereof.



41

253RD ST.

NOTE: INDEX MAP SHOWS ROLLING HILLS PLAZA PRIOR TO ANY CONSTRUCTION FROM THIS PLAN.

SHEET 6

254TH ST.

CRENSHAW

BOULEVARD

SHEET 5

WIND OIL PROPERTY

255TH ST.

AIRPORT

SHEET 4

256TH ST.

DRIVE

PACIFIC COAST

SHEET 3

HIGHWAY

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EXHIBIT "A"
PAGE 3 OF 3

EXHIBIT "A-1"

Sublease Tract

LEGAL DESCRIPTION

THAT PORTION OF LOT 1 OF TRACT 9765, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 170, PAGES 10 TO 12 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT THE CENTERLINE INTERSECTION OF PACIFIC COAST HIGHWAY AND CRENSHAW BOULEVARD; THENCE, SOUTH 48 DEGREES 45 MINUTES 20 SECONDS EAST 442.78 FEET ALONG SAID CENTERLINE OF PACIFIC COAST HIGHWAY TO A POINT; THENCE, NORTH 41 DEGREES 22 MINUTES 25 SECONDS EAST 105.83 FEET TO A POINT, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE, CONTINUING NORTH 41 DEGREES 22 MINUTES 25 SECONDS EAST 99.00 FEET; THENCE, SOUTH 48 DEGREES 37 MINUTES 35 SECONDS EAST 99.00 FEET; THENCE, SOUTH 41 DEGREES 22 MINUTES 25 SECONDS WEST 99.00 FEET; THENCE NORTH 48 DEGREES 37 MINUTES 35 SECONDS WEST 99.00 FEET TO THE TRUE POINT OF BEGINNING.

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EXHIBIT "B"

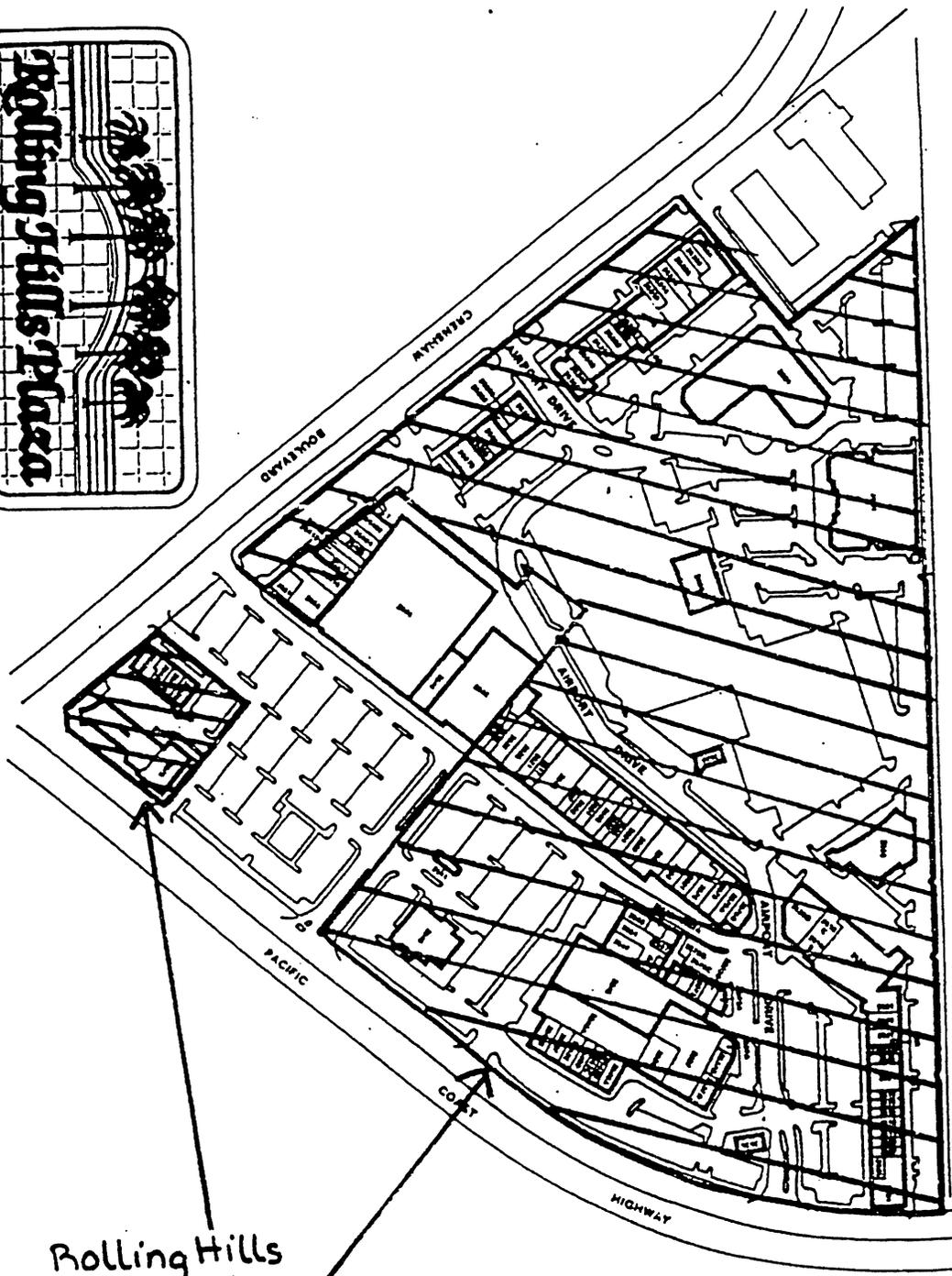
LEGAL DESCRIPTION

(Schwartz Tract)

An exclusive easement, right and privilege of parking and for ingress and egress over and appurtenant to that portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per Map recorded in Book 170, Pages 10-12 of Maps, in the Office of the County Recorder of said County, as set out and delineated in that certain Document No. 4367, recorded July 22, 1959, Official Records of said County, entitled "Parking Lot Agreement and Grant of Easements and Parking Rights", and as amended by documents recorded July 25, 1961 as Instrument No. 4263; and as amended by documents recorded January 9, 1962 as Instrument No. 4822; and as amended by documents recorded May 3, 1962 as Instrument No. 5244, and by Documents No. 85-728683, recorded June 24, 1985, all of Official Records of said County.

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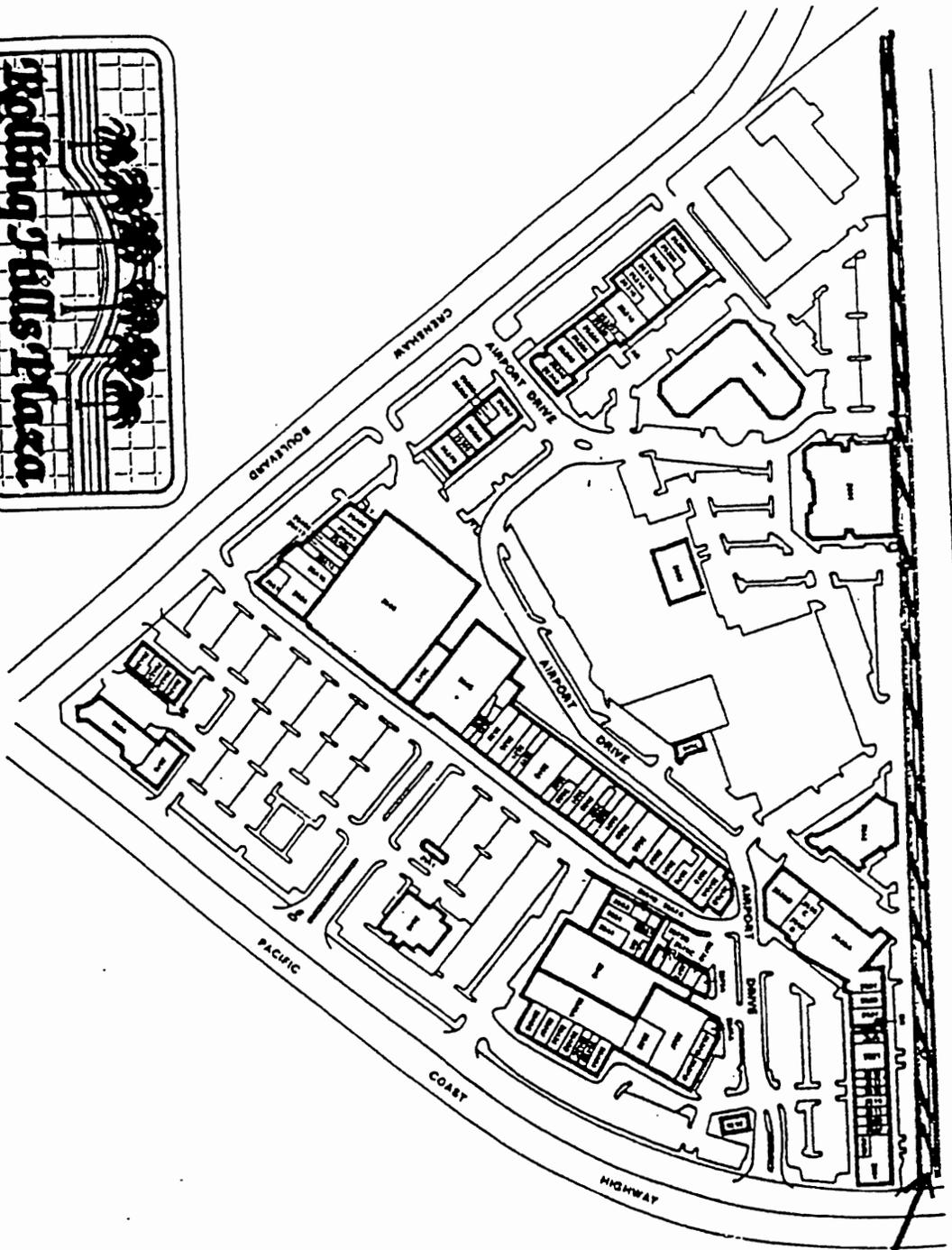
EXHIBIT "B"



Rolling Hills
Tract 1

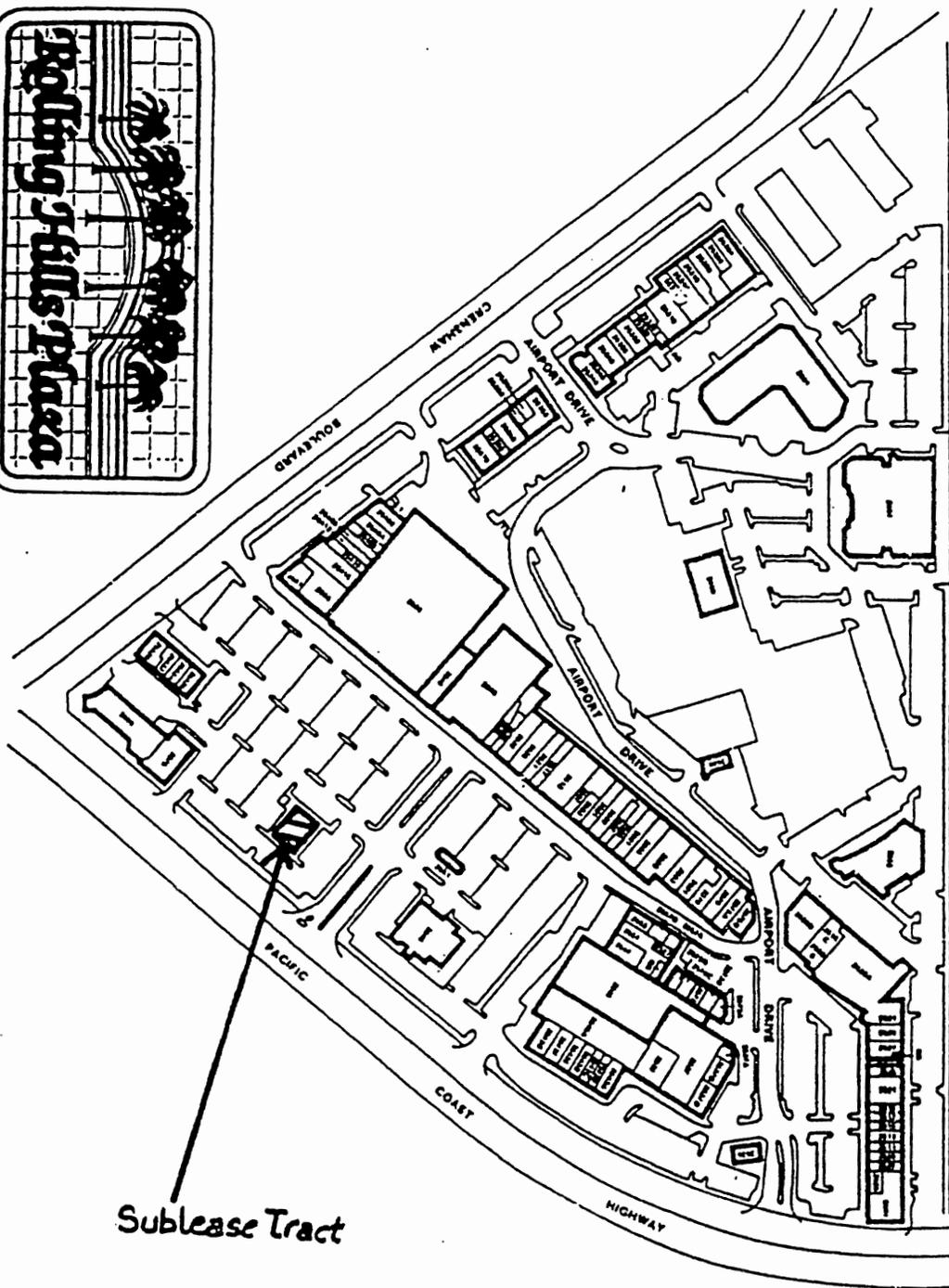
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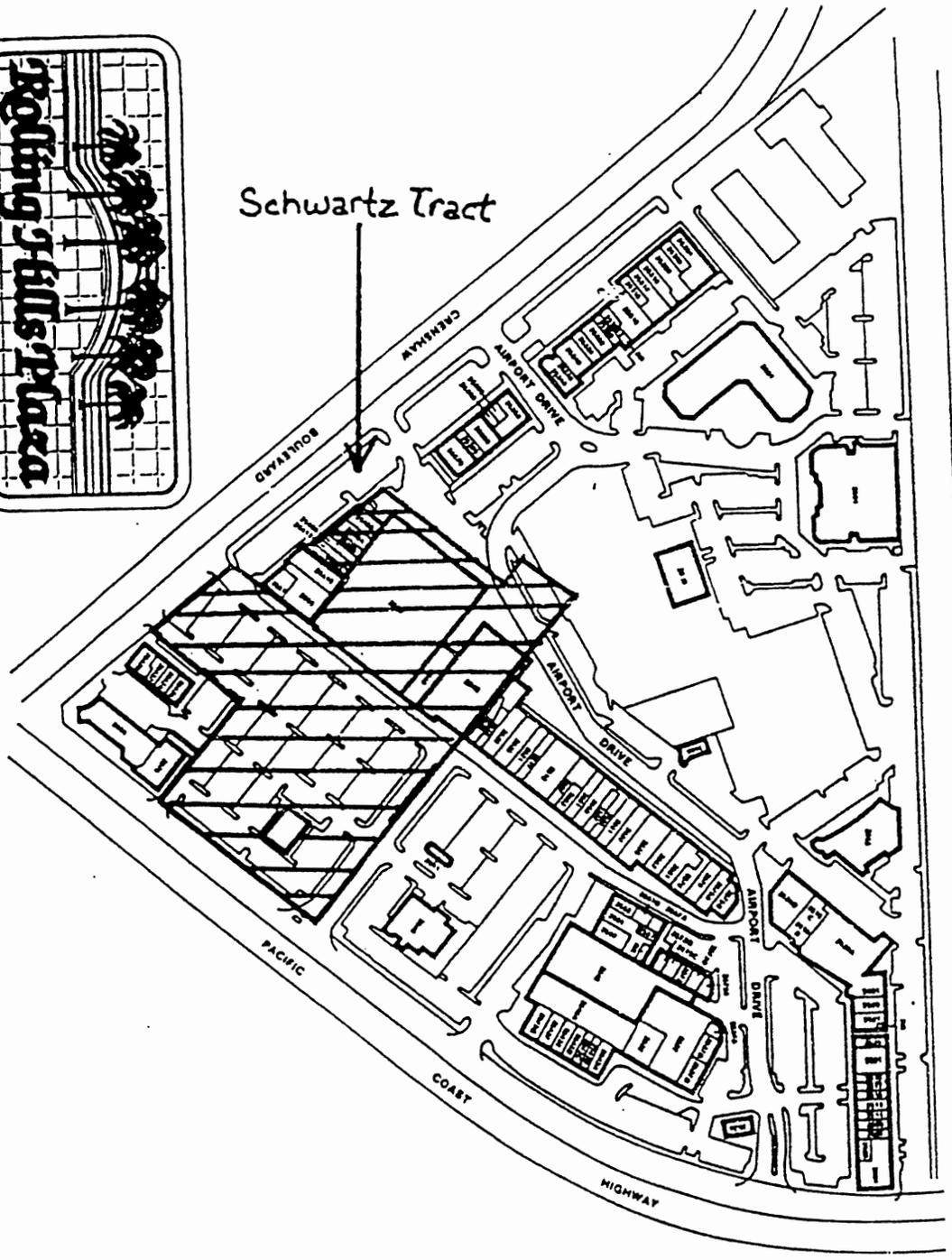
Rolling Hills
Tract 2



Sublease Tract



Schwartz Tract



90-1831780

CERTIFICATE RE LEASE
(City of Torrance Ground Lease)

THIS CERTIFICATE RE LEASE ("Certificate") is made as of October 29 1990, by the CITY OF TORRANCE, a municipal corporation ("Landlord") and ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company ("Tenant"), in favor of GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation ("Beneficiary").

RECITALS

A. In connection with the loan by Beneficiary to Tenant in the amount of \$57,000,000.00 (the "Loan"), Landlord and Tenant have entered into that certain Consent to Encumbrance of Leasehold Estate (the "Consent") dated as of even date herewith, which Consent is to be recorded in the Official Records of Los Angeles County, California.

B. Landlord is the current holder of the lessor's interest and Tenant is the current holder of the lessee's interest under that certain Lease dated as of October 21, 1987, by and between Landlord, as landlord, and Rolling Hills Plaza Shopping Center, a California limited partnership (predecessor to Tenant), as tenant, which was recorded November 3, 1987, in the Official Records of Los Angeles County, California, as Instrument No. 87-1761480, as amended by Amendment No. 1 thereto dated August 28, 1990 and by that certain Second Amendment to Lease dated January 23, 1996 (the "Lease").

C. A condition to Beneficiary's making of the Loan is Landlord and Tenant making the certifications, representations and warranties set forth herein.

NOW, THEREFORE, Landlord and Tenant certify, represent and warrant as follows:

1. Recitals. The Recitals set forth above are true, accurate and correct.

2. Lease. A true, correct and complete copy of the Lease, together with any and all supplements and amendments thereto, and modifications thereof, including all such amendments and modifications listed in Paragraph B above, is attached hereto as Exhibit "A."

Landlord and Tenant make the above certifications, representations and warranties, intending to bind themselves and their heirs and successors, for the benefit of Beneficiary, with the understanding that Beneficiary will rely thereon in making the Loan. This Certificate shall inure to the benefit of Beneficiary and all of Beneficiary's successors, transferees

C 053 7

and assignees. This Certificate may be executed in counterparts.

"Landlord":

THE CITY OF TORRANCE, a municipal
corporation

By: Dee Hardison
Dee Hardison, Mayor
[Printed Name and Title]

APPROVED AS TO FORM
JOHN L. FELLOWS III
CITY ATTORNEY

ATTEST
By: Sue Herbers
Sue Herbers, City Clerk
[Printed Name and Title]

By: Heather Whitham
Heather Whitham, Deputy City
[Printed Name and Title]
Attorney

"Tenant":

ROLLING HILLS PLAZA VENTURE 96, LLC, a
California Limited Liability Company

By: RHP VENTURE, INC.,
a California corporation
Managing Member

By: Norman R. La Caze
Norman R. La Caze
Trustee of the La Caze Family Trust
Its: President

L E A S E

CITY OF TORRANCE,
a municipal corporation,

Lessor

and

ROLLING HILLS PLAZA SHOPPING CENTER,
a California limited partnership,

Lessee

C-53

DATED: ~~November~~ *October* 21, 1987

Dup^l Original

ROLLING HILLS PLAZA SHOPPING CENTER

LEASE

INDEX

Page

1.	PREMISES.....	7
2.	TERM.....	7
3.	OPTION TO EXTEND.....	7
4.	MINIMUM BASIC RENT.....	9
5.	PERCENTAGE RENT.....	13
6.	PLACE OF PAYMENT AND LATE PAYMENT.....	20
7.	USE.....	21
8.	AUTHORITY; PRIOR LEASE TERMINATION.....	24
9.	ALTERATIONS AND ADDITIONAL IMPROVEMENTS.....	26
10.	MAINTENANCE.....	38
11.	LIENS.....	40
12.	OFF-STREET PARKING.....	43
13.	SURRENDER.....	43
14.	FAA PROVISIONS.....	46
15.	AVIGATION EASEMENTS.....	46
16.	TAXES, ASSESSMENTS AND UTILITY CHARGES.....	48
17.	LIABILITY.....	51
18.	INSURANCE.....	52
19.	CASUALTY: INSURANCE PROCEEDS.....	57
20.	ASSIGNMENT AND SUBLETTING.....	62
21.	ENCUMBRANCES.....	68
21A.	FINANCIAL CAPABILITY & EXPERIENCE.....	83
22.	BREACH OR DEFAULT.....	84
23.	COMPLIANCE WITH LAW.....	89
24.	RIGHT OF ACCESS.....	89
25.	QUIET ENJOYMENT.....	90

	<u>Page</u>
26. NOTICES.....	90
27. AMENDMENTS AND MODIFICATIONS.....	91
28. APPROVALS BY CITY; GOVERNMENTAL FUNCTIONS.....	91
29. CONDEMNATION.....	92
30. FAIR MARKET VALUE.....	97
31. JUDICIAL REFERENCE.....	100
32. ATTORNEY'S FEES.....	101
33. GENERAL PROVISIONS.....	101

INDEX

<u>EXHIBITS</u>	<u>SECTION REFERENCE</u>
A Legal Description of Leased Premises (I.D. No. 671).....	1
B Map of Leased Premises (I.D. No. 672).....	1
C FAA Provisions.....	14
D Height Limits Sketch (I.D. No. 669).....	15

(f) Lease No. 3-B, dated November 1, 1962, by and between the City of Torrance and Jefferson, Inc., was amended by Amendment to Lease No. 3-B, dated March 1, 1967. By instrument entitled "Assignment of Lease," dated April 16, 1969, Jefferson, Inc. assigned all of its right, title and interest in and to Lease No 3-B to Albert Levitt and James S. Bower, as individuals. By instrument entitled "Assignment of Lease No. 3-B," dated April 16, 1969, Albert Levitt and James S. Bower assigned all right, title and interest in and to Lease No. 3-B to Jefferson Company, a partnership. Effective October 23, 1973, Jefferson Company was consolidated into Rolling Hills Plaza Company. By instrument entitled "Assignment of Ground Lease", dated April 22, 1983, Rolling Hills Plaza Company assigned all of its right, title and interest in and to Lease No. 3-B to Albert Levitt, a married man, and James S. Bower, Trustee in the James and Susan Bower Revocable Family Trust, each as to an individual one-half interest. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease 3-B to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, Ticor assigned all of its right, title and interest in and to lease No. 3-B to Lessee. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, Albert Levitt assigned all of his right, title and interest in and to Lease No. 3-B to Lessee.

(g) Lease No. 4-B, dated May 31, 1962, by and between the City of Torrance and Jefferson Company, was amended by Amendment to Lease No. 4-B, dated March 1, 1967. Effective October 23, 1973, Jefferson Company was consolidated into Rolling Hills Plaza Company. By instrument entitled "Assignment of Ground Lease", dated April 22, 1983, Rolling Hills Plaza Company assigned all of its right, title and interest in and to Lease

No. 4-B to Albert Levitt, a married man, and James S. Bower, Trustee in the James and Susan Bower Revocable Family Trust, each as to an individual one-half interest. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease 4-B to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, assigned all of its right, title and interest in and to Lease No. 4-B to Lessee. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, assigned all of his right, title and interest in and to Lease No. 4-B to Lessee.

(h) Lease No. 6, dated February 1, 1964, by and between the City of Torrance and Albert Levitt and James S. Bower, was amended by Amendment to Lease No. 6, dated March 1, 1967, and by Second Amendment to Lease No. 6, dated July 1, 1974. By instrument entitled "Assignment," dated June 20, 1984, Albert Levitt and James S. Bower assigned all of their right, title and interest in and to Lease No. 6 to Lessee.

(i) Lease No. 7, dated February 1, 1964, by and between the City of Torrance and Albert Levitt and James S. Bower, was amended by Amendment to Lease No. 7, dated March 1, 1967. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease No. 7 to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease", dated July 15, 1983, Ticor assigned all of its right, title and interest in and to Lease No. 7 to Lessee. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, Albert Levitt assigned all of his right, title and interest in and to Lease No. 7 to Lessee.

(j) A retail shopping center and office building complex known as Rolling Hills Plaza, has been constructed on said triangle, a portion of which shopping center is located upon the

L E A S E

THIS LEASE, made and entered into in quadruplicate at Torrance, California, this 21st day of October, 1987, by and between the CITY OF TORRANCE, a municipal corporation, as Lessor, hereinafter referred to as the "City", and ROLLING HILLS PLAZA SHOPPING CENTER, a California limited partnership of which Norman R. La Caze, a married man, is the sole general partner, as Lessee, hereinafter referred to as "Lessee".

W I T N E S S E T H:

(a) The City is the owner in fee of a triangular parcel of land approximately 37 acres in size located on the north side of Pacific Coast Highway east of Crenshaw Boulevard. Said parcel was formerly part of the Torrance Municipal Airport, the title to which was acquired by the City in 1948 from the United States of America, subject to certain conditions, restrictions and reservations. Subsequently, the land was physically separated from the Airport by the construction of Crenshaw Boulevard and then by a series of releases and quitclaims was legally separated from the Airport and the title of the City clarified.

(b) In 1955 the City leased 36 acres of said property (one acre was later added) for a 50 year term to Store Properties, Inc., for construction and operation of a retail shopping center. In 1957 the leasehold estate was divided into nine separate leases with divergent ownerships. Lessee has acquired ownership of seven of those leases, designated as Leases 2-B, 2-C, 3-A, 3-B, 4-B, 6 and 7, which seven leases cover approximately 28 acres.

(c) Lease No. 2-B, dated January 1, 1960, by and between the City of Torrance and Jefferson, Inc., was amended by

Amendment to Lease No. 2-B on July 10, 1961, by Second Amendment to Lease No. 2-B, dated December 29, 1961, and by Third Amendment to Lease No. 2-B, dated March 1, 1967. By instrument entitled "Assignment of Lease No. 2-B," dated March 31, 1960, Jefferson, Inc. assigned all of its right, title and interest in and to Lease No. 2-B to Rolling Hills Plaza Company, a Co-Partnership of which Albert Levitt and James S. Bower are the general partners. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease No. 2-B to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease", dated July 15, 1983, Ticor assigned all of its right, title and interest in and to Lease No. 2-B to Lessee. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, Rolling Hills Plaza Company assigned all of its right, title and interest in and to Lease No. 2-B to Lessee.

(d) Lease No. 2-C, dated January 1, 1960, by and between the City of Torrance and Jefferson, Inc., was amended by Amendment to Lease No. 2-C, dated July 10, 1961, by Second Amendment to Lease No. 2-C, dated December 29, 1961, by Third Amendment to Lease No. 2-C, dated March 1, 1967 and by Fourth Amendment to Lease No. 2-C, dated March 21, 1972. By instrument entitled "Assignment of Lease No. 2-C," dated March 31, 1960, Jefferson Inc. assigned all of its right, title and interest in and to Lease No. 2-C to Rolling Hills Plaza Company. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease No. 2-C to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease", dated July 15, 1983, Ticor assigned all of its right, title and interest in and to Lease No. 2-C to Lessee. By instrument entitled "Assignment of Ground Lease," dated July 15, 1983, Rolling Hills Plaza Company assigned all of its right, title and interest in and to Lease No. 2-C to Lessee.

(e) Lease No. 3-A, dated July 1, 1960, by and between the City of Torrance and Jefferson Inc., was amended by Amendment to Lease No. 3-A, dated July 10, 1961, by Second Amendment to Lease No. 3-A, dated December 29, 1961, by Third Amendment to Lease No. 3-A, dated November 1, 1962, by Third Amendment to Lease No. 3-A, dated February 1, 1964 (note: there are two documents entitled "Third Amendment to Lease No. 3-A"), and by Fourth Amendment to Lease No. 3-A, dated September 12, 1969. Lease No. 3-A was divided into Lease Nos. 3-A and 3-B as of November 1, 1962, when the first Third Amendment to Lease No. 3-A was executed. By instrument entitled "Assignment of Lease," dated April 16, 1969, Jefferson Inc. assigned all of its right, title and interest in and to Lease No. 3-A to Albert Levitt and James S. Bower, as individuals. By instrument entitled "Assignment of Lease," dated April 16, 1969, Albert Levitt and James S. Bower assigned all of their right, title and interest in and to Lease No. 3-A to Jefferson Company, a partnership. Effective October 23, 1973, Jefferson Company was consolidated into Rolling Hills Plaza Company. By instrument entitled "Assignment of Ground Lease," dated April 22, 1983, Rolling Hills Plaza Company assigned all of its right, title and interest in and to Lease 3-A to Albert Levitt, a married man, and James S. Bower, Trustee in the James and Susan Bower Revocable Family Trust, each as to an individual one-half interest. On an undetermined date, James S. Bower assigned all of his right, title and interest in and to Lease No. 3-A to Ticor, a California corporation. By instrument entitled "Assignment of Ground Lease", dated July 15, 1983, Ticor assigned all of its right, title and interest in and to Lease No. 3-A to Lessee. By instrument entitled "Assignment of Ground Lease", dated July 15, 1983, Albert Levitt assigned all of his right, title and interest in and to Lease No. 3-A to Lessee.

leased premises. To meet competition in the area, and preserve the economic viability of the center, the complex has been refurbished and modernized. Lessee now desires to extend the term of the aforementioned seven leases (which as amended and assigned are hereinafter collectively referred to as the "Seven Leases") to a full forty-one (41) year term, with a nine (9) year option to extend on approval by the City, and to combine said Seven Leases into this one Lease.

(k) The City is willing to accede to such request for combination of the Seven Leases into this Lease and extension of the term and for that purpose has prepared this lease agreement which consolidates the aforesaid Seven Leases into this one Lease. This Lease provides for significantly increased rents payable to the City over the forty-one (41) year term of the Lease and sets forth certain other covenants and conditions of the agreement for combination of the Seven Leases and extension thereof.

(l) The City will benefit from the execution of this Lease, inter alia, by reason of (i) the greater rents which will flow to it as contrasted to the rents receivable under the aforesaid existing Seven Leases, plus the continuous increase of such rents during a period of approximately 20 years beyond the term of said Seven Leases, (ii) the increased sales and property taxes resulting from the reconstruction and upgrading of the structures on the Leased Premises, and (iii) the impetus to the upgrading and revitalization of the surrounding area that is expected to result therefrom.

(m) The City Council therefore declares that the Leased Premises are being leased hereby for commercial development for business purposes pursuant to the authority contained in Section 37380 of the Government Code of the State of California, amended

by statutes of 1983 and Section 37395 of said Code, added by statutes of 1954 (West's Annotated California Codes) and pursuant to the powers conferred on the City by the provisions of Article XI of the Constitution of the State of California.

(n) The City, acting by and through the City Council, has determined by Resolution adopted on 10-20-87(87-245), that such property is not required for other City purposes and that it is in the public interest that this Lease be executed.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL COVENANTS HEREIN CONTAINED, IT IS HEREBY AGREED AS FOLLOWS:

1. PREMISES

For and in consideration of the rents, covenants and conditions herein contained, the City does hereby lease to Lessee that certain real property described in Exhibit "A", and located as shown on Exhibit "B", attached hereto and made a part hereof, which real property is hereinafter referred to as the "Leased Premises".

2. TERM

The term of this Lease shall be for a period of forty-one (41) years, commencing November 1, 1987 (the "Commencement Date") and expiring at midnight October 31, 2028.

3. OPTION TO EXTEND

A. Period of Extension.

Lessee may, at Lessee's option, extend the original term of this Lease for one additional period of nine (9) years, subject to all the provisions of this Lease, including but not limited to provisions for adjustments to and variations in rent. After the exercise of the option to extend, all references in this Lease to the term shall be considered to mean the term as extended, and all references to termination or to the end of the

term shall be considered to mean the termination or end of the term as extended.

B. Conditions for Exercise.

Lessee's right to exercise the option pursuant to this Paragraph 3 is subject to:

(1) The following conditions precedent:

(a) The Lease shall be in effect at the time notice of exercise is given and on the last day of the term.

(b) Lessee shall not be in default under any provision of this Lease at the time notice of exercise is given or on the last day of the term beyond the time for curing same.

(2) Compliance with the following procedure for exercising the option: At least six (6) months but not more than nine (9) months before the last day of the term, Lessee shall give the City written notice of its exercise of the option to extend. Notice shall be deemed to have been given as of the date such written notice is received by Lessor. The giving of such notice shall be deemed conclusive proof of Lessee's irrevocable exercise of the option.

(3) The City shall review the record of past maintenance of the Leased Premises by Lessee, as well as the current condition of said Leased Premises. Based upon said review, the City shall have the right, in its reasonable discretion, to approve or disapprove Lessee's exercise of the option. In the event that the City shall disapprove the exercise of the option, any exercise or attempted exercise of the option by Lessee shall be and become null and void and of no force or effect whatsoever, and this Lease shall terminate upon the date set forth in Paragraph 2 above. In the event that a dispute

arises between the parties as to whether the City has been reasonable in the exercise of its discretion in approving or disapproving exercise of the option, the City and Lessee agree to refer the dispute to judicial reference in accordance with the provisions of Paragraph 31 herein.

(4) Each party shall, at the request of the other, in the event of exercise of the option, in lieu of executing a new lease, endorse on the original Lease or on a true copy of the original Lease that party's signature or signatures, the date the option was exercised, and the words "option exercised." Alternatively, each party shall, at the request of the other, execute a memorandum, in recordable form, acknowledging the fact that the option has been exercised and otherwise complying with the requirements of law for an effective memorandum or abstract of lease (the "Memorandum of Exercise of Option" herein). At the request of either party (and at the expense, including the expense of any documentary transfer tax, of the requesting party), the Memorandum of Exercise of Option shall be recorded.

4. MINIMUM BASIC RENT

A. Amount.

On or before the first day of each month during the term of this Lease, Lessee shall pay the City minimum basic rent ("Minimum Basic Rent") as follows:

(1) (a) For each month or partial month during the term of this Lease, and in addition to the Percentage Rent provided for in Paragraph 5 of this Lease, the sum of \$8,333.33 per month (\$100,000.00 per year) (prorated for any partial month or year on the basis of a thirty (30) day month and three hundred sixty (360) day year), increased, but not decreased, annually commencing on January 1 of each Lease Year (as hereinafter defined) therein in proportion to the increase, if

any, in the "Producers Price Index, All Commodities", 1967=100, ("Index"), prepared by the United States Bureau of Labor Statistics, Department of Labor (the "Bureau"), between July, 1987 (the month which is four months prior to the Commencement Date of this Lease), which Index amount was 297.8, and the September which immediately precedes January 1 of the Lease Year which includes the month for which such Basic Rent installment is due; but in no event shall any installment of Minimum Basic Rent be less than Minimum Basic Rent for the immediately preceding Lease Year, nor shall any annual increase in the Minimum Basic Rent payable in any year be in excess of seven and one-half percent (7.5%) over the Minimum Basic Rent for the immediately preceding year. Annual increases in the Minimum Basic Rent in excess of seven and one-half percent (7.5%) shall cumulate and be carried over to successive years.

EXAMPLE: Assume the starting Minimum Basic Rent is \$12,500.00 per month and the Index is 100. If one year later in the first Lease Year the Index stands at 110, the Minimum Basic Rent would be \$13,437.50, which is the proposed Minimum Basic Rent of \$13,750, which is $(\$12,500.00 \times (110/100))$, limited by the maximum rent from the prior year of \$13,437.50 (107.5% of \$12,500), with the unused portion of 2.5% $(\$13,750.00 - \$13,437.50) / (\$12,500.00/100)$ carried over to the following year.

If in the second Lease Year, the Index stands at 114, the Minimum Basic Rent would be \$14,445.31, which is the proposed Minimum

Basic Rent of \$14,585.94 ($(\$12,500.00 \times (114/100)) + (2.5\% \text{ of } \$13,437.50)$), limited by the maximum rent from the prior year of \$14,445.31 (107.5% of \$13,437.50), and the unused portion of 1.0% ($(\$14,585.94 - \$14,445.31) / (\$13,437.50/100)$) would be carried over to the following year.

If in the third Lease Year, the Index stands at 119, the Minimum Basic Rent would be \$15,019.45 ($(\$12,500.00 \times (119/100)) + (1.0\% \text{ of } \$14,445.31)$), as this amount exceeds the minimum and does not exceed the maximum increase and does not have any carry-over.

If in the fourth Lease Year, the Index stands at 115, the Minimum Basic Rent would be \$15,019.45, the minimum which is the prior year's Minimum Basic Rent.

Note: If Year 4 is removed, and five and six advanced, the minimum is \$15,019.45.

If in the fifth Lease Year, the Index stands at 130, the Minimum Basic Rent would be \$16,145.91, which is the proposed Minimum Basic Rent of \$16,250.00 ($\$12,500.00 \times (130/100)$), limited by the maximum rent from the prior year of \$16,145.91 (107.5% of \$15,019.45), with the unused portion of .7% ($(\$16,250.00 - \$16,145.91) / (\$15,019.45 / 100)$) carried over to the following year.

If in the sixth Lease Year, the Index stands at 139, the Minimum Basic Rent would be \$17,356.85, which is the proposed Minimum

Basic Rent of \$17,488.02 ($(\$12,500.00 \times (139/100)) + (.7\% \text{ of } \$16,145.91)$), limited by the maximum rent from the prior year of \$17,356.85 (107.5% of \$16,145.91), with the unused portion of .8% ($(\$17,488.02 - \$17,356.85) / (\$16,145.91/100)$) carried over to the following year.

(b) Such sum of \$8,333.33 per month, as adjusted by annual increases in the Index as provided for in this Lease, is referred to herein as the "Minimum Basic Rent".

(c) If said Bureau shall revise said Index, the parties shall accept the method of revision or conversion recommended by said Bureau; if said Index shall be discontinued with no recommended substitute, another index generally recognized as authoritative shall be substituted by agreement of the parties. If they are unable to agree within thirty (30) days after demand by either party, on application of either party the substitute index shall be selected by the Chief Officer of the San Francisco Regional Office of the Bureau of Labor Statistics or its successor.

B. Lease Year.

"Lease Year" shall mean a full twelve-month period commencing on January 1 of each year during the term of the Lease, provided, however, that in the event the Commencement Date is not January 1, then the first Lease Year shall consist of the period from the Commencement Date to the following December 31, and the last Lease Year shall consist of the period from January 1 immediately preceding the expiration of the term of this Lease to the expiration of the term of this Lease.

5. PERCENTAGE RENT

A. Determination.

For each calendar quarter, or portion thereof, commencing with the first day of the 1994 Lease Year and continuing every calendar quarter thereafter during the remainder of the term of this Lease, Lessee agrees to pay to City as "Percentage Rent" for the Leased Premises the respective amounts set forth in subparagraph B of this Paragraph 5. Calendar quarters shall consist of periods of three (3) consecutive calendar months each, with January 1 being the first day of the first calendar quarter and each succeeding three (3) consecutive calendar months also being a calendar quarter.

B. Percentage of Gross Rents.

(1) The amount of the Percentage Rent due for each calendar quarter during the 1994 Lease Year shall be the amount, if any, by which a sum equal to six percent (6%) of the amount of "Gross Rents" (as hereinafter defined) derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(2) The amount of the Percentage Rent due for each calendar quarter during the 1995 Lease Year shall be the amount, if any, by which a sum equal to seven percent (7%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(3) The amount of the Percentage Rent due for each calendar quarter during the 1996 Lease Year shall be the amount, if any, by which a sum equal to eight percent (8%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(4) The amount of the Percentage Rent due for each calendar quarter during the 1997 through 2001 Lease Years, inclusive, shall be the amount, if any, by which a sum equal to eleven percent (11%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(5) The amount of the Percentage Rent due for each calendar quarter during the 2002 through 2006 Lease Years, inclusive, shall be the amount, if any, by which a sum equal to twelve percent (12%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(6) The amount of the Percentage Rent due for each calendar quarter from the commencement of the 2007 Lease Year through the end of the Lease term shall be the amount, if any, by which a sum equal to thirteen percent (13%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(7) Should the option to extend the Lease be exercised, the amount of the Percentage Rent due for each calendar quarter from November 1, 2028 through October 31, 2037 shall be the amount, if any, by which a sum equal to thirteen percent (13%) of the amount of Gross Rents derived from the Leased Premises for such calendar quarter exceeds the Minimum Basic Rent paid or payable to the City for such calendar quarter.

(8) The following calculations are provided as examples only of the method by which Percentage Rent is to be computed under this Lease:

EXAMPLE 1 (Amounts rounded for convenience)

In the 1994 Lease Year, if the Minimum Basic Rent for a calendar quarter is \$28,750 and the Gross Rents accruing to the Shopping Center for the same calendar quarter are \$1,000,000, then the Percentage Rent due the City would be \$31,250 ($\$1,000,000 \times .06 = \$60,000$ minus $\$28,750 = \$31,250$).

EXAMPLE 2 (Amounts rounded for convenience)

In the 1995 Lease Year, if the Minimum Basic Rent for a calendar quarter is \$33,000 and the Gross Rents accruing to the Shopping Center for the same calendar quarter are \$1,020,000, then the Percentage Rent due the City would be \$38,400 ($\$1,020,000 \times .07 = \$71,400$ minus $\$33,000 = \$38,400$).

EXAMPLE 3 (Amounts rounded for convenience)

In the 1996 Lease Year, if the Minimum Basic Rent for a calendar quarter is \$35,000 and the Gross Rents accruing to the Shopping Center for the same calendar quarter are \$425,000, then the Percentage Rent due the City would be 0 (since $\$425,000 \times .08 = \$34,000$ is less than $\$35,000$), and only Minimum Basic Rent would thus be payable.

(9) The term "Gross Rents", as used in this subparagraph B, shall mean and include all rentals (including without limitation fixed rent and percentage rent) and other payments paid directly or indirectly by sublessees, licensees or concessionaires (but excluding the amounts of rentals not collected due to any default or bankruptcy of any tenant) for the

occupancy or use of all or any portion of the Leased Premises, together with (i) the reasonable rental value of any part of the Leased Premises occupied by Lessee or any affiliate of Lessee (as defined in subparagraph (10) below), calculated on a square footage basis in respect to the particular area utilized by Lessee or such affiliate, such rental value to be equal or substantially equal to the rental value of similar space located on the Leased Premises, and (ii) any and all monies and other things of value received by Lessee or any affiliate of Lessee as consideration for the use or occupancy of all or any part of the Leased Premises; provided, however, that the term "Gross Rents" shall not include any security deposit received by Lessee from Lessee's sublessees except to the extent that such security deposit is an advance payment of rent, or any monies or property received by Lessee as consideration for the assignment of Lessee's (including Lessee's successors and assigns) interest, in whole or in part, in the Leased Premises, except to the extent that the assignor retains the right to receive any fixed rent, percentage rent, credit for premises occupied by Lessee, or monies paid in lieu of or as partial substitution for such rents, payments or credits. There shall also not be included in "Gross Rents" amounts paid to Lessee by sublessees which represent sublessees' share of real property taxes, insurance premiums, utilities, maintenance, repairs, and common area charges paid by Lessee to third parties and any management fee or similar charge paid by sublessees to Lessee in connection with such common area maintenance charges (all such items referred to in this sentence being called the "Passed Through Charges"). In the event the Leased Premises should ever be subleased in whole or in part to any person or entity which does not itself use or occupy such subleased premises, but instead further subleases the same for use or occupancy

by others, such occupancy rentals and subrentals derived from such further subleases shall be included in the term "Gross Rents" for the purposes of this Lease, notwithstanding that such occupancy rentals or subrentals shall be payable to a person or entity other than Lessee; provided, however, that in the case of a sublease made by Lessee to a non-affiliate of Lessee on an arm's-length basis providing for fair rentals at the time entered into only the rentals payable by the sublease to Lessee shall be included in Gross Rents. The term "sublease" shall include subleases, underlettings, concessions, licenses, or other arrangements at any level for the use or occupancy of any portion of the Leased Premises, and the term rental or occupancy rental shall include all rent, monies, and other considerations paid for the use or occupancy of the Leased Premises or any part thereof.

(10) Lessee covenants and agrees that each sublease, license or concession agreement for the occupancy or use of all or any part of the Leased Premises will be entered into on an arm's-length basis providing for fair rentals or other payments at the time entered into. Upon City's request, Lessee shall disclose to the City any such transactions (i) with affiliates of Lessee (which, for purposes of this Paragraph 5, shall mean any person or entity which, directly or indirectly, owns or controls, is owned or controlled by, or is under common ownership or control with Lessee or any one or more of the partners comprising Lessee), and (ii) with any person or entity which has entered into any lease, license or concession agreement with Lessee or any affiliate of Lessee for any property other than the Leased Premises.

C. Time Payable.

Such Percentage Rent shall be paid to the City within thirty (30) days following the end of each calendar quar-

ter during the term of this Lease at the same time as the quarterly report of Lessee, as hereinafter described, is made to the City. The obligations of Lessee under this Paragraph 5 which arise prior to the expiration or sooner termination of this Lease shall survive the expiration or sooner termination of this Lease.

D. Report, Payment and Audit.

(1) Within thirty (30) days following the end of each calendar quarter during the term of this Lease, Lessee shall make a report in writing, in triplicate, to the Director of Finance of the City, which shall set forth:

(a) The name(s), the commencement and termination dates and the location of that portion of the Leased Premises used or occupied by each tenant;

(b) The total amount of Gross Rents payable and paid during the preceding calendar quarter by each such tenant (including affiliates of Lessee);

(c) The location of any part of the Leased Premises occupied by Lessee or any affiliate of Lessee and the square footage utilized thereby; and

(d) The amount of Percentage Rent, if any, due the City under the provisions of this Paragraph 5.

(2) The term "tenant" as used in this Sub-paragraph D shall mean and include any person from whom rent or other payment or consideration is received, including but not limited to a partial assignee, sublessee, tenant, licensee and any other person using or occupying any portion of the Leased Premises from whom any such rent, payment or other consideration is received.

(3) Lessee agrees to deliver to the City within ninety (90) days after the close of each Lease Year a "Certified Statement of Gross Rents" showing the Gross Rents for

such Lease Year. Each "Certified Statement of Gross Rents" shall be a complete statement made and signed by a certified public accountant on behalf of Lessee, showing accurately and in reasonable detail the amount of the Gross Rents for the Lease Year for which the same is required. Lessee shall also deliver to the City a complete annual statement of income and expenses relating to the Leased Premises within ninety (90) days after the end of each Lease Year. If the Certified Statement of Gross Rents for any Lease Year shows that the aggregate of the quarterly Percentage Rent payments for said Lease Year is less than the Percentage Rent due for said Lease Year, then Lessee shall pay to the City, at the time it delivers said Certified Statement, any additional Percentage Rent due for said Lease Year; and if said Certified Statement shows that the aggregate of the quarterly Percentage Rent payments for said Lease Year exceeds the Percentage Rent due for said Lease Year, then Lessee may deduct the amount of said excess from the next quarterly payment of Percentage Rent due the City.

(4) Lessee shall keep complete and adequate books and reports in accordance with generally accepted accounting principals, consistently applied sufficient to show all Gross Rents received by or for the account of Lessee from all tenants of the Leased Premises for the period covering at least the four (4) most recent Lease Years or, if longer, until any dispute involving or relating to the subject matter of such books and reports has been resolved.

(5) The City shall have the right to inspect and audit at its own expense such records used as the basis of such reports during normal business hours upon reasonable prior notice to Lessee for the purpose of determining the accuracy of such reports.

(6) If, upon any examination by the City of the books and records of Lessee, an error shall be revealed in favor of the City which results in there being due to the City for any year additional rent in the amount of two percent (2%) or more of that reported by Lessee, then the reasonable cost of such examination shall be paid by Lessee to the City.

(7) For the purpose of computing Percentage Rent, any fractional calendar quarter occurring during the term of this Lease shall be considered with the next succeeding or preceding full calendar quarter, as the case may be.

E. Additional Rent.

In addition to Minimum Basic Rent and Percentage Rent, all other charges and sums payable by Lessee hereunder shall be deemed to be additional rent ("Additional Rent"), whether or not the same be designated as such, and shall be due and payable (if payable to a third party) not later than the dates on which the same are due and payable, or (if payable to City) on demand or together with the next succeeding installment of Minimum Basic Rent, whichever shall first occur, and City shall have the same rights and remedies upon Lessee's failure to pay the same as for the nonpayment of the Minimum Basic Rent.

6. PLACE OF PAYMENT AND LATE PAYMENT

A. Place of Payment.

All Minimum Basic Rent, Percentage Rent and Additional Rent payments shall be paid, without deduction, counterclaim or offset, to the office of the Finance Director of the City at 3031 Torrance Boulevard, Torrance, California, 90503, or at such place as the City shall from time to time designate in writing.

B. Late Payment.

In the event any payment required under this Lease is not made within ten (10) days after the date due, the Lessee acknowledges that the amount necessary to adequately compensate the City would be impracticable and extremely difficult to calculate. Therefore, Lessee agrees that in addition to the Minimum Basic Rent, Percentage Rent and other Additional Rent, Lessee shall pay to City the following schedule of late charges applicable to that portion which is overdue, regardless of whether notice of such delinquency is given pursuant to Section 22(A)(1) or otherwise: (1) Late 10 days but under 30 days: 2% of the amount due; plus (2) For each additional 30 days or fraction thereof over 30 days: an additional 2% of the amount due for each 30 days or fraction thereof; provided, however, that in no event shall the amounts payable to the City pursuant to this Paragraph 6.B exceed the maximum amounts allowed by law.

C. No Relief from Default.

The provisions herein for payment of late charges shall not be construed to extend the date for payment of any sums required to be paid by Lessee hereunder or to relieve Lessee of its obligation pay all such sums at the time or times herein stipulated. The imposition of, demand for, or collection by City of such late charges shall not be construed as a curing of any default on the part of Lessee.

7. USE

A. Permitted Uses.

The Leased Premises shall be used for the following purposes but for no other purpose or purposes unless the prior written consent thereto of the City Manager, or a designee chosen by the City Manager in his sole discretion, has been obtained, which consent may be given or refused in the sole discretion of the City Manager or his designee:

(1) The sale at retail of goods, wares and merchandise ordinarily found in a retail shopping center and permitted in the City of Torrance's C-3 and C-4 zones;

(2) The sale at retail of services ordinarily found in a retail shopping center and permitted in the City of Torrance's C-3 and C-4 zones; provided, however, that only the following numbers of each of the following types of service business shall be conducted on the Leased Premises:

(a) Four (4) Banks, Savings and Loan Associations or Building and Loan Associations;

(b) Three (3) Dry Cleaning and Dyeing Agencies (Pick-up and Delivery only, no plant), Clothes Pressing Establishments or Laundry and Cleaning Agencies (Pick-up and Delivery only, no plant);

(c) Two (2) Laundromats;

(d) Three (3) Optometrists;

(e) One (1) Post Office;

(f) Two (2) Stock and Bond Offices;

(g) One (1) Health Club; and

(h) One (1) Telephone and Telegraph Office.

B. Use Not Permitted.

Notwithstanding the generality of the foregoing provisions or any other provision to the contrary contained in this Lease, the following uses shall not be permitted on the Leased Premises:

(1) Gasoline service stations; or

(2) Automobile sales and service facilities, including those for recreational vehicles, boats, mobile homes or trailers.

C. City's Considerations.

Lessee acknowledges and agrees that the primary considerations for the City's imposing the use restrictions contained in this Paragraph 7 are: (i) the compatibility of the uses permitted herein with the Airport; and (ii) its desire for the production of sales tax revenues by the businesses located on the Leased Premises, and conversely, its desire to minimize the location thereon of businesses that do not produce sales tax revenues or sales tax returns in substantial amounts.

D. Non Sales-Tax Producing Enterprises.

Notwithstanding the provisions of Subparagraph C above, an aggregate of not more than 30,000 square feet of building space (including but not limited to the building space existing as of the date of this Lease) may be occupied by non-sales tax producing enterprises. The above square footage limitation excludes office uses, which shall be limited to an aggregate of not more than 70,000 square feet of building space (including but not limited to the building space existing as of the date of this Lease). An enterprise shall be deemed to be non-sales tax producing unless more than fifty percent (50%) of the annual gross receipts derived from its operations on the Leased Premises are subject to sales tax.

E. Fast-Food Operations.

Notwithstanding any provision to the contrary contained in this Lease:

(1) No separate, free-standing fast food or drive-through operation shall be permitted on the Leased Premises.

(2) The term "fast food operation" as used in this subparagraph E shall mean an establishment where the sale of food for immediate consumption is a major part of the business

(more than 50% of the annual gross receipts) and is characterized by two or more of the following:

- (a) Customers may order, pay for, and pick up their food at a counter or window;
- (b) The food is sold in containers which are not required to be returned;
- (c) No alcoholic beverages, except beer and wines, are served on the premises;
- (d) Much of the food is prepared before the customer places an order;
- (e) The food may be consumed either on or off the premises; and
- (f) The menu is limited to a small number of items which may be easily and quickly prepared.

F. New Merchandise Only.

All stores, shops and businesses on the Leased Premises shall sell new merchandise only (except that the sale of genuine antiques, coins and bona fide works of art shall be allowed) and shall conduct business entirely within a building.

G. Completed Parking Facilities.

No building, other improvement, or any part of the Leased Premises shall be used unless and until the off-street parking facilities therefor are completed.

8. AUTHORITY; PRIOR LEASE TERMINATION

A. City.

The City warrants that it has full right, legal capacity and authority to enter into and perform its obligations under this Lease and that by the adoption of Resolution No. _____ of the Torrance City Council, the Mayor and the City Clerk are authorized and directed to execute and attest this Lease for and on behalf of the City, and that the Charter of the

City authorizes the City Attorney to approve the form of this Lease; and except as otherwise set forth in this Lease, no approval or consent not heretofore obtained is necessary in connection with its execution on behalf of the City or the performance of the City's obligations hereunder.

B. Lessee.

Norman La Caze warrants to the City that he has full right, legal capacity and authority pursuant to the agreement of partnership of Lessee to enter into the obligations of Lessee under this Lease; that he is the sole general partner in the partnership formed pursuant to such agreement of partnership doing business as Rolling Hills Plaza Shopping Center; that no approval or consent is necessary in connection with his execution of this Lease on behalf of Lessee or the performance of Lessee's obligations hereunder; and that a true and correct copy of Lessee's Certificate of Limited Partnership form LP-1, as filed for record with the Secretary of State of the State of California, has been delivered to the City.

C. Amendment and Restatement of Existing Leases.

(1) Lessee hereby represents and warrants that the Seven Leases, consisting of Lease Numbers 2B, 2C, 3A, 3B, 4B, 6 and 7, and all amendments and modifications thereto, constituted the sole and entire right, title and interest of Norman R. La Caze, Lessee, or any person or entity owning any interest in Lessee, in the Rolling Hills Plaza Shopping Center prior to the Commencement Date. Effective as of the Commencement Date, the Seven Leases and all amendments and modifications thereto, and any and all other right, title and interest whatsoever which Norman R. La Caze, Lessee, or any other person or entity owning any interest in Lessee, currently has in the Rolling Hills Plaza Shopping Center, are hereby entirely amended

and restated and completely superseded by this Lease. Upon the Commencement Date, all liabilities under the Seven Leases of either party to the other party thereto which would have accrued from and after such date are hereby cancelled; provided, however, that each party to the Seven Leases shall remain liable to the other party thereto for any and all obligations and duties which arise or accrue thereunder prior to such date. From and after the Commencement Date, Lessee's rights, interests and entitlements to the Rolling Hills Shopping Center shall be limited solely to the Leased Premises and determined solely by the terms of this Lease.

9. ALTERATIONS AND ADDITIONAL IMPROVEMENTS

A. Construction Approval.

Lessee shall not construct any building, structure or other improvement on the Leased Premises unless the plan showing the location thereof and construction plans and specifications are first approved by the Director of Building and Safety and by the City Council of the City, and the giving of such consent shall be within such Director's and City Council's sole discretion and shall not be a waiver of any rights to object to further or future construction.

B. Alteration Approval.

Lessee shall not make any structural changes or alterations, nor any exterior changes or alterations, structural or otherwise, to any building, structure, or other improvement on the Leased Premises unless the consent of the City Manager, or a designee chosen by the City Manager in his sole discretion, is first obtained. Such consent shall be within the reasonable discretion of the City Manager or such designee and the giving of such consent shall not be a waiver of any rights to object to further or future alterations.

C. Traffic Indicators.

All traffic signing, striping and pavement markings shall be installed in accordance with the most current edition of the Caltrans Traffic Manual.

D. No Traffic Signal Modifications.

No modification shall be made to the striping and channelization for the traffic signals at Airport Drive and Crenshaw Boulevard and Airport Drive and Pacific Coast Highway without the approval of the Director of Transportation.

E. Liquidated Damages.

It shall be a condition to the giving of the City Manager's or his designee's consent to a Project (as herein-after defined) pursuant to subparagraph A or B, above, that the City Manager or his designee and Lessee shall have executed a written agreement fixing the amount of liquidated damages which would be reasonable under the circumstances in the event that Lessee fails to complete construction pursuant to the requirements of this Paragraph 9, such written agreement to be enforceable in the manner provided in subparagraph F(2)(i) of this Paragraph 9, and that, concurrently with the execution of such agreement, Lessee shall deliver to City an irrevocable letter of credit or bond, in form and content and issued by a financial institution or surety reasonably acceptable to City, to secure payment of any and all liquidated damages which may become payable to City pursuant to this Paragraph 9.

F. Provisions Governing.

In the event that (and in each case that) Lessee shall construct any additional or replacement buildings, structures or other improvements (including alterations or additions to the existing buildings) on the Leased Premises, Lessee shall construct such improvements and each of them in accordance with the following provisions:

(1) Site Preparation

(a) Soils Investigation.

Lessee shall engage the services of a State of California certified civil engineer who is experienced and knowledgeable in the practice of soils engineering, and who is acceptable to the City. Said engineer shall conduct a soils investigation of the lease site in accordance with a formal proposal set forth by said engineer and shall render a written report of his findings and recommendations to the City and Lessee. Lessee shall bear the entire cost of said soils investigation analysis.

(b) Risk of Lessee.

Lessee shall proceed to construct buildings, structures and other improvements on the Leased Premises in compliance with all guidelines and recommendations contained in the written report prepared pursuant to subparagraph (a) above; Lessee shall proceed at its own risk as to the condition of the soil.

(c) Preparation for Development.

Any and all work or activities necessary to prepare the Leased Premises for development shall be the responsibility, and done at the cost, of Lessee.

(d) Grading.

Lessee shall grade the Leased Premises at its own expense in accordance with a grading plan to be prepared by the Lessee at its own expense and approved by the Director of Building and Safety of the City. The Lessee shall obtain a grading permit therefor and shall grade said Leased Premises in accordance with the provisions of the Torrance Municipal Code and any amendments thereto and any other applicable laws.

(e) Demolition Permits.

Prior to grading, Lessee shall obtain demolition permits from the Director of Building and Safety as required by the Torrance Municipal Code and by amendments thereto and any other applicable laws.

(2) Construction.

(a) Site Plans. In the event that Lessee shall renovate, construct and, if required, reconstruct buildings and other improvements on the Leased Premises, all such renovation, construction and reconstruction shall be in accordance with site plans, elevation drawings and architect's sketches to be on file in the office of the Planning Director of the City, or such plans, drawings and sketches as amended by Lessee with the written consent of the City Manager or a designee chosen by the City Manager in his sole discretion.

(b) Compliance with Laws. Lessee shall carry out the work to be performed pursuant to the provisions of this Paragraph 9 ("the Project" herein) in accordance with the provisions of any conditional use permits or variances that have been approved by the Planning Commission of the City in connection with the Project, and Lessee shall comply with the laws, regulations and requirements of the City applicable to private developers and property owners, including, but not limited to, those resulting from the designation of Pacific Coast Highway through Torrance as a scenic highway and the designation of a bike path thereon.

(c) Building Permits and Parcel Map.

Before constructing or reconstructing any buildings or structures, Lessee shall obtain building permit(s) from the Director of Building and Safety as required by the Torrance Municipal Code (which incorporates the

City's Building and Fire Codes) and any amendments thereto and any other applicable laws. Lessee agrees that if, in the reasonable opinion of the City Attorney of the City, this Lease, or any transaction contemplated by this Lease, requires the filing for record, in accordance with the Torrance Municipal Code and the California Subdivision Map Act, of a parcel map with respect to this Lease, Lessee shall diligently prepare, process and file for record, or cause to be prepared, processed and filed for record, such a parcel map.

(d) Completion.

(1) Subject to the provisions of subparagraph F(2)(e) of this Paragraph 9, the work of remodeling, constructing and reconstructing buildings and improvements, and all other work included within a Project, shall be completed within a specified amount of time following the issuance of a building permit, said amount of time to be agreed upon in writing by Lessee and City prior to commencement of said Project.

(2) A Project shall be deemed to have been completed when, in accordance with said plans and specifications, it shall have been completed to the reasonable satisfaction of the City Manager, or a designee chosen by the City Manager in his sole discretion, following the execution of an Architect's Certificate of Completion and the filing of the Notice of Completion by the general contractor thereof in accordance with the provisions of Chapter 1 of Title 15 of Part 4 of Division 3 of the California Civil Code. Lessee shall furnish copies of the Architect's Certificate of Completion and Notice of Completion to the City Manager or his designee.

(e) Force Majeure.

The time within which Lessee is obligated hereunder to construct, repair or rebuild any building

or other improvements, or cure any default on the part of Lessee hereunder shall be extended for a period of time equal in duration to, and performance in the meantime shall be excused on account of and for and during the period of, any delay caused by strikes, threats of strikes, lockouts, war, threats of war, insurrection, invasion, acts of God, calamities, violent action of the elements, fire, action or regulation of any governmental agency, law or ordinance, impossibility of obtaining materials, or other things beyond the control of Lessee.

(f) FAA Filing.

Prior to the commencement of construction or reconstruction, Lessee shall file Form 7460-1 and receive approval thereof from the Federal Aviation Administration. Additionally, the City covenants that it will use good faith efforts to obtain the consent of the Federal Aviation Administration to this Lease.

(g) Interference with Aircraft.

Lessee shall not light or operate, or cause or permit to be lighted or operated, any equipment which would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the Airport.

(h) Acoustical Treatment.

(1) All buildings shall be designed to provide an interior noise level within a LegA weighted sound level of 50 dBA and a Lmax peak value of 60 dBA. The designer must prepare detailed plans of construction showing the sound insulation assembly to resist the airborne community noise equivalent level contours of 60 dB CNEL or greater. The contour map will be provided by the Airport Division of the City's Department of Transportation.

At the time the construction plans are submitted to the Department of Building and Safety for approval, Lessee shall submit therewith an analysis of the plans by an acoustical engineer certifying that, in his opinion, such level will not be exceeded. A building permit will not be issued for such buildings unless and until the City's acoustical consultant certifies that, in his reasonable opinion, such level will not be exceeded.

(2) Definitions of standards specified in Section 1092 of Part I of Title 25 of the California State Housing Code are incorporated in this Lease as a minimum standard of compliance.

(3) Before occupancy of any part of any constructed, remodeled, or reconstructed building is permitted, the Lessee shall submit to the Department of Building and Safety a statement by an acoustical engineer certifying that said buildings have been constructed in accordance with such acoustical plans and that, in his opinion, such level has not been exceeded. Such occupancy shall not be approved unless and until the City's acoustical consultant certifies that, in his reasonable opinion, such level has not been exceeded.

(i) Liquidated Damages.

If Lessee fails to comply with the foregoing requirements of subparagraph F(2)(d) of this Paragraph 9 as to the completion of construction, then Lessee shall pay to the City the sum determined pursuant to, and in the manner set forth in, Subparagraph E of this Paragraph 9 for each month or fraction thereof until such completion, as liquidated damages for such failure to complete construction, in the event that Lessee and the City agree and stipulate that it would be extremely difficult to fix the actual damages of City that would

result from Lessee's failure to timely comply with subparagraph F(2)(d) of this Paragraph 9, and that, accordingly, the agreement of Lessee to pay the amounts specified above as liquidated damages in lieu thereof would be reasonable under the circumstances existing as of the date thereof.

(j) Bonds

(1) On or before the date of commencement of any remodeling, reconstruction or construction of any building, structure or other improvement, Lessee shall file or cause to be filed with the City Clerk of the City, a Performance Bond and a Payment Bond executed by Lessee or Lessee's contractor and by a surety authorized to do business in the State of California as surety guaranteeing the performance of the provisions of subparagraphs A and B of this Paragraph 9. If said bond is executed by the Lessee's contractor, it shall name the Lessee and the City as joint obligees.

(2) The terms of both bonds shall commence on or before the date of filing with the City Clerk. The Performance Bond shall remain in effect until the date of completion of the work to the reasonable satisfaction of the City Manager of the City, or a designee chosen by the City Manager in his sole discretion. The Payment Bond shall remain in effect until the expiration of the period of filing a claim of lien as provided in Title 15 of Part 4 of Division 3 of the California Civil Code, and as hereafter amended, or if a claim of lien is filed, the expiration of the period for filing an action to foreclose such lien, or until the Leased Premises are freed from the effect of such claim of lien and any action brought to foreclose such lien pursuant to the provisions of said Title 15 of Part 4 of Division 3 or the lien is otherwise discharged.

(3) The Performance Bond shall be in the amount and provide a penalty of 100% of the valuation of the improvements to be constructed. The Payment Bond shall be in the amount and provide a penalty of 50% of the valuation of the improvements to be constructed.

(k) Property of Lessee.

Any buildings, structure or other improvements existing as of the Commencement Date or which shall be constructed, remodeled, reconstructed or placed on the Leased Premises shall be deemed the property of Lessee for the term of this Lease and any extension thereof, subject to the terms and conditions hereof, and shall become the property of the City upon the expiration or sooner termination of this Lease as provided in Paragraph 13 herein. Lessee shall be responsible for all maintenance of all buildings and improvements thereon in accordance with the provisions of this Lease.

(l) Further Acts - Utilities.

The City covenants and agrees that, upon written request of Lessee, the City will execute such instruments as may be reasonably necessary to subject City's fee interest in the Leased Premises to easements for the installation, maintenance, repair and replacement of normal utilities to service the Leased Premises as may be reasonably required in connection with the Project; provided, however, that all costs incurred in connection with the granting of such easements shall be borne by Lessee and the City shall incur no costs, liabilities, obligations or expenses as a result of the granting of such easements for the installation, maintenance, repair or replacement of such utilities during the term of this Lease.

(m) No Parcelization.

Anything contained in this Lease to the contrary notwithstanding, neither the Leased Premises nor the leasehold interest of Lessee or any of Lessee's successors in interest therein shall be subdivided or parcelized, including without limitation, the recording of any tentative or final subdivision or parcel map, without the prior written consent of the City Council in its sole discretion. The foregoing to the contrary notwithstanding, the City shall not unreasonably withhold its consent to a subdivision or parcelization of the Leased Premises provided that such subdivision or parcelization is required by an "Approved Leasehold Mortgage" (as hereinafter defined) as a condition to placing an "Approved Leasehold Mortgage" on less than all of the improvements on the Leased Premises, and provided further that any such subdivision or parcelization shall not result in a fractionalization of this Lease or the Lessee's duties, liabilities and obligations hereunder, it being expressly agreed that this Lease shall at all times remain a single Lease covering the entire Leased Premises.

(n) Compliance With CUP.

Lessee shall comply with the conditions including but not limited to the "Major Code Requirements" and Conditions 1 through 47 listed therein, of Conditional Use Permit (CUP) 83-33 and any amendments or modifications thereto which shall be approved pursuant to Section 92.28.1 et seq. of the Torrance Municipal Code, and perform the obligations of the "Applicant" as set forth therein. Lessee shall also comply with the conditions of Variance (V) 83-4, which relates to parking requirements for the Leased Premises, as developed pursuant to the Master Plan set forth in CUP 83-33.

(3) Utility Installations

(a) Sanitary Sewers

(1) There are existing sanitary sewer (wastewater services) mainlines in: Crenshaw Boulevard (Los Angeles County Sanitation District mainline), Pacific Coast Highway - along North side of Pacific Coast Highway from Crenshaw Boulevard to 300' Westerly, and in the old Airport Drive roadway connecting into 255th Street in the City of Lomita.

(2) In the event Lessee shall connect private sewer facilities on the Leased Premises to a public sewer main, Lessee shall pay to the City such fees as are provided by law in accordance with Division 7, Chapter 2 of the City Code and any amendments thereto, and any other applicable laws.

(b) Water Mains

(1) Lessee acknowledges that City has provided water mains with capacity to adequately serve the reasonable domestic and fire suppression flow needs of the Leased Premises, and a water main in Pacific Coast Highway with capacity to adequately serve the reasonable domestic needs of the Leased Premises. The installation and construction of service and fire hydrant assemblies and other facilities outside of the boundaries of the Leased Premises, and all service and fire hydrant assemblies and other facilities including individual water meters within the boundaries of the Leased Premises, to carry domestic water and provide fire suppression flow from said mains to the Leased Premises shall be at the expense of Lessee. The installation, construction, repair and maintenance of all service assemblies, plumbing and other facilities from the water meters to and within the individual businesses and buildings shall be at the expense of Lessee.

(2) City will maintain and repair all water mains, fire hydrants, and associated facilities within the Leased Premises, up to the point of connection to the individual business water meters, provided that Lessee grants to City a suitable easement, or easements across and upon the Leased Premises for such maintenance and repair.

(c) Gas, Electric, Telephone Services.

The City does not warrant or affirm that gas, electric, telephone or other public utility services, except water, are or will be available to Lessee. Lessee, at its own risk and without cost or expense to the City, shall be responsible for installation and maintenance on and to said premises of all such public utility services.

(d) Easements Restricted.

Lessee shall not place any buildings or structures on, over, under or across, or otherwise encroach upon, any easements reserved on the Leased Premises unless and until Lessee has obtained a legally valid encroachment permit for each and every encroachment Lessee desires to undertake, which encroachment permit or permits shall inure to the benefit of the City, Lessee and all their heirs, executors, administrators, legal representatives, successors and assigns.

(4) Demolition.

Lessee shall not demolish any building or structure on the Leased Premises without first obtaining the written consent thereto of the City Manager, or a designee chosen by the City Manager in his sole discretion, which consent may be given or withheld in the City Manager's or such designee's sole and absolute discretion.

(5) Value and Utility.

All changes and alterations shall be of such a character that when completed, the value and utility of the building, structure or other improvement changed or altered by such changes or alterations shall not be less than the value and utility thereof immediately before any such change or alteration.

(6) Alterations Following Commencement.

All work done in connection with any changes or alterations following the commencement thereof shall be performed in a good and workmanlike manner and with due diligence.

10. MAINTENANCE

A. Lessee Maintain.

Lessee shall maintain, or cause to be maintained, at no expense to the City, said Leased Premises and all buildings, structures, roadways, landscaping, parking, sewer and other improvements thereon, and shall keep the same in good and sanitary condition and repair.

B. Periodic - Structures.

As often as the City shall declare necessary during the term of this Lease, the City shall review the maintenance needs of the buildings, structures, structural members and other improvements located on the Leased Premises and, based upon said review, the City shall have the right, in its reasonable discretion, to require Lessee, at Lessee's own expense, to promptly paint or clean or otherwise preserve and beautify the surfaces of the interior and exterior of all buildings, structures, structural members and other improvements on said Leased Premises. The treatment applied shall restore the appearance of and act as a preservative of the buildings, structures, struc-

tural members and other improvements. Notwithstanding the City's failure to conduct the maintenance reviews as set forth herein, Lessee shall nevertheless perform the maintenance required hereunder as often as necessary to properly maintain the buildings, structures, structural members and other improvements.

C. Periodic - Pavement.

As often as the City shall deem necessary during the term of this Lease, the City shall review the pavement repair and replacement needs of the Leased Premises, and, based upon said review, the City shall have the right, in its reasonable discretion, to require Lessee, at Lessee's own expense, to repair or replace any area of pavement or slabs on the Leased Premises that have spalled, weathered, alligatored, or otherwise failed, with like materials and workmanship. Notwithstanding the City's failure to conduct the pavement repair and replacement reviews as set forth herein, Lessee shall nevertheless, as often as is necessary to properly maintain the pavement on the Leased Premises, promptly repair or replace any damaged areas thereof. In the event a dispute arises between the parties as to either of their rights or obligations under this Subparagraph 10C the City and Lessee agree to refer the dispute to judicial reference in accordance with the provisions of Paragraph 31 herein.

D. Landscaping.

Lessee, at its own expense, shall landscape with flora, including trees, in an attractive manner and thereafter maintain said landscaping on the entire unpaved portions of Pacific Coast Highway and Crenshaw Boulevard between the curb and sidewalk on said street and said Leased Premises, all in compliance with the requirements of Conditional Use Permit (CUP) 83-33.

11. LIENS

A. Payment by Lessee

(1) Subject to Lessee's right to contest the same as hereinafter provided in subparagraph D of this Paragraph 11, Lessee agrees that it will pay as soon as due all mechanics', laborers', materialmen's, contractors', subcontractors', or similar charges, and all other charges of whatever nature which may become due, attached to or payable on said Leased Premises or any part thereof or any building, structure or other improvements thereon, from and after the date as of which this Lease is executed or as a result of any work performed on the Leased Premises by Lessee or any of Lessee's, agents; employees or contractors prior to such date.

(2) Nothing herein contained shall in any respect make Lessee the agent of the City, or authorize Lessee to do any act or to make any contract encumbering or in any manner affecting the title or rights of the City in or to the Leased Premises or the improvements thereon.

B. Notice.

Before any buildings, structures or other improvements, repairs or additions thereto, of an aggregate cost in excess of Twenty-Five Thousand Dollars (\$25,000) are constructed, remodeled or reconstructed upon the Leased Premises, Lessee shall serve written notice upon the City, in the manner provided for in Paragraph 26 herein, twenty (20) days prior to commencement, of Lessee's intention to perform such work for the purpose of enabling the City to post and record notices of non-responsibility under the provisions of Section 3094 of the California Civil Code, or any other similar notices which may be required by law.

C. Bond.

If any such mechanics' or other liens shall at any time be filed against the Leased Premises or any portion thereof or interest therein, Lessee shall cause the same to be discharged of record within thirty (30) days after the date of filing the same, or otherwise free the Leased Premises from the effect of such claim of lien or any action brought to foreclose such lien, or Lessee shall promptly furnish to the City a bond in an amount and issued by a surety company satisfactory to the City, securing the City against payment of such lien and against any and all loss or damage whatsoever in any way arising from the failure of Lessee to discharge such lien.

D. Contest.

Any contest by Lessee of any such liens shall be made by Lessee in good faith and with due diligence and Lessee shall fully pay and immediately discharge the amount of any final judgment rendered against the City or Lessee in any litigation involving the enforcement of such liens or the validity thereof.

E. Discharge by City.

In the event of Lessee's failure to discharge of record any such uncontested lien within said thirty (30) day period or to pay and satisfy any such judgment as aforesaid, or to otherwise free the Leased Premises from the effect thereof, the City, without obligation, may defend against such lien in any litigation resulting from Lessee's failure to perform under this provision, or may pay any such judgments, inclusive of any interest thereon and any costs assessed against Lessee in said litigation, or may discharge such lien by contesting its validity or by any other lawful means; provided, however, that City, prior to discharging any such lien by any of the methods set forth herein, shall notify any "Approved Leasehold Mortgagee" (as hereinafter

defined) in writing of City's intent to discharge such lien, and the Approved Leasehold Mortgagee shall have fifteen (15) days from its receipt of such written notice to provide written notice to City that the Approved Leasehold Mortgagee agrees to indemnify City and hold the City free and harmless from any and all liability, claims, demands, damages or costs arising out of or in any way connected with, the failure to timely discharge such lien. In the event that an Approved Leasehold Mortgagee shall provide such written agreement to indemnify City within the fifteen (15) day period, City agrees to refrain from exercising its remedies as set forth hereinabove; provided, however, that nothing in this Subparagraph E shall prevent the City from exercising, in its sole discretion, any or all of its remedies as set forth herein as against any claim of lien placed against the City's fee interest in the Leased Premises.

F. Repayment by Lessee.

Any amount paid by the City for any of the aforesaid purposes, and all reasonable legal and other expenses of the City, including reasonable attorneys' fees, in defending any such action or in connection with procuring the discharge of such lien, with all necessary disbursements in connection therewith, together with interest thereon at the rate of one and one-half percent (1-1/2%) per month from the date of payment, shall be repaid by Lessee to the City on demand; provided that, interest payable hereunder shall in no event exceed the maximum per annum rate permitted under applicable law. To the extent any such payment of interest hereunder would exceed such maximum rate, such payment shall be deemed to be an advance against Minimum Basic Rent as to which Lessee shall be credited on the next installment of Minimum Basic Rent payable hereunder.

12. OFF-STREET PARKING

Lessee shall comply with the off-street parking requirements of all ordinances of the City and laws of the State. This provision shall not limit the scope of the provisions of Paragraph 23 herein.

13. SURRENDER

A. Structures.

At the expiration of the term of this Lease, as the same may be extended, or upon the sooner termination thereof, this Lease shall terminate without further notice and Lessee shall surrender said Leased Premises to the City and all buildings, structures and other improvements thereon, including but not by way of limitation, any alterations, additions or improvements, shall remain for the benefit of the City. Any holding over by Lessee after expiration shall not constitute a renewal or extension or give Lessee any rights in or to the Leased Premises except as otherwise expressly provided in this Lease.

B. Removal.

No buildings, structures or other improvements shall be removed from said Leased Premises or voluntarily destroyed or damaged during the term of this Lease without the prior written consent of the City Manager or a designee chosen by the City Manger in his sole discretion.

C. Movable Structures.

Machines, trade fixtures and similar installations which are installed in any building, structure or other improvement on the Leased Premises shall not be deemed to be part of the realty, and interior, non-structural tenant partitions, although part of the realty, may be relocated from time to time as necessary to accommodate Lessee's leasing program, even though

such installations and partitions are attached to the floors, walls or roofs of any building or structure or to outside pavements, so long as such installations and partitions can be removed or relocated without structural damage to any building, structure or other improvement on the Leased Premises; provided, however, that if the removal or relocation of any such installation or partition causes non-structural damage to any part of the building, structure, other improvement, pavements or premises, Lessee shall repair such damage and restore said building, structure, other improvement, pavements or premises to the same condition as originally existed upon the completion of construction, ordinary and usual wear and tear excepted; and provided further, that no holes or apperatures, or unpainted or otherwise unfinished walls shall be left by Lessee in any building, structure or other improvement at the expiration of the term of this Lease.

D. Personal Property.

Any and all personal property of every kind and nature whatsoever, not attached to or installed in any building, structure or other improvement which Lessee or its sublessees places in, upon or about the Leased Premises during the term hereof may be removed therefrom prior to the expiration of the term of this Lease and shall, as between the City and Lessee, be and remain the personal property of Lessee or its sublessees, as the case may be, provided that any such personal property left on the Leased Premises after expiration of the term of the Lease shall be presumed to be abandoned by Lessee.

E. Lighting, Etc.

Notwithstanding anything to the contrary contained in the other paragraphs or subparagraphs of this Lease, any and all lighting, elevator, escalator, plumbing, air cooling,

air conditioning, heating (including water heating) and ventilating equipment shall be deemed to be a part of the realty, and regardless of whether or not any such item or equipment can be removed without structural damage to the building, structure or improvement in which it is installed, it shall not be removed from such building, structure or other improvement except for repairs, alterations and replacement with newer functionally equivalent equipment, without the consent of the City Manager, or a designee chosen by the City Manager in his sole discretion, and all such equipment shall remain as a part of the realty at the expiration of the term of this Lease. Notwithstanding anything to the contrary contained within this Subparagraph 13E, Lessee may remove, or allow to be removed, subtenant lighting and subtenant signs to the extent that such removal may be accomplished by the simple unfastening of screws and bolts and provided that such removal does not in any way cause damage to the Leased Premises.

F. Removal at Expiration.

Notwithstanding any provision of this Lease to the contrary, the City may give notice of its election, not less than five (5) years prior to the expiration of the term of this Lease, to require the removal of any or all buildings, structures and other improvements and the restoration of the Leased Premises upon expiration of this Lease, in which event the Lessee shall, at Lessee's sole cost and expense, remove such improvements and restore the Leased Premises, or such portion thereof as has been designated by the City, to a clear and level condition, within 120 days following the expiration of the term of this Lease. Such period shall not constitute an extension or renewal of this Lease.

14. FAA PROVISIONS

Lessee acknowledges its acceptance of and its agreement to comply with all Federal Aviation Administration ("FAA") provisions, including those shown on Exhibit "C" attached hereto and made a part hereof (the "FAA Provisions").

15. AVIGATION EASEMENTS

A. Interference with Navigation

Lessee agrees that:

(1) It will not erect or permit the erection or growth of any building, structure, tree or other object on said Leased Premises above the maximum allowable height as set forth in the attached Exhibit "D"; and

(2) It will not use said Leased Premises or permit said Leased Premises to be used in any manner which might interfere with the landing or taking off of aircraft from the airport, or which otherwise constitutes an air navigation obstruction, or which creates an interference; and

(3) It will not light or operate, or cause to be lighted or operated, any equipment which would interfere with the navigation, landing or takeoff of aircraft on the runways and in the aeronautical areas of the airport.

B. Avigation Easements

(1) The City reserves the following easements from the leasehold estate created hereby:

(a) The right to take any action necessary to prevent the erection or growth of any building, structure, tree or other object into the air space above the elevation indicated in Exhibit "D" and subparagraph A(1) herein, and to remove from such air space, or mark and light as obstructions to air navigation, any and all buildings, structures, trees or other objects that may at any time project or extend above said eleva-

tion together with the right of ingress to, egress from, and passage over the said Leased Premises for such purposes;

(b) The right to enter onto the said Leased Premises for the purpose of causing the abatement of any interference with the landing and taking off of aircraft from said airport; and

(c) A right of flight for the passage of aircraft in the air space above the surface of the said Leased Premises, together with the right to cause in said air space such noise as may be inherent in the operation of aircraft, now known or hereafter used for navigation of, or flight in the air, using said air space or landing at, or taking off from, or operating at, or on said airport.

(2) "Aircraft" as used in this Paragraph includes aircraft now or hereafter developed which utilize the airport or such air space whether similar or dissimilar to existing aircraft.

(3) "Interference" as used in this Paragraph includes without limitation any interference with radar, any electrical or other interference with radio or other communication between airport and aircraft, or any use of activity which makes it difficult for pilots to distinguish between airport and other lights, creates glare or otherwise impairs visibility or which otherwise endangers the landing, taking off or maneuvering of aircraft or the safety of those using the airport, or is hazardous thereto.

(4) In the event that the City exercises any of its rights pursuant to the provisions of this Paragraph 15, the City shall not be liable to the Lessee for any damage suffered as a result thereof and the Lessee shall reimburse the City for all reasonable and necessary expenses incurred by

the City therefor, provided, however, that the City shall be liable for any damage caused by the City's exercise of its rights pursuant to this Paragraph 15, where such exercise shall have been unreasonable and without care.

16. TAXES, ASSESSMENTS AND UTILITY CHARGES

A. Payment of Charges.

Lessee agrees that none of the charges, liens or expenses accruing or payable during the term of this Lease in connection with the use or occupancy of said Leased Premises, including, but not by way of limitation, water, electricity, gas, telephone, utilities and other services used by Lessee, its sub-lessees, licensees and concessionaires on said Leased Premises, shall be at the expense of the City.

B. Payment of Taxes.

Lessee agrees to pay at least ten (10) days prior to delinquency all taxes which shall be levied against the Leased Premises, Lessee's interest therein or Lessee's property thereon including but not limited to any real estate taxes assessed against the Leased Premises, or against any buildings, structures or any improvements erected or constructed by the Lessee on said Leased Premises, or which become a lien against said Leased Premises or its interest therein or its property thereon or against any building, structure or any improvements erected or constructed by the Lessee on said Leased Premises during the term of this Lease. Lessee shall, at the request of the City, provide proof of its payment of such taxes prior to any such taxes becoming delinquent.

C. Payment of Assessments.

Lessee agrees to pay before delinquent any assessments against the Leased Premises or against any buildings, structures or any improvements erected or constructed by the

Lessee on the Leased Premises made for maintenance purposes, such as lighting. In the event that the assessing agency will permit payment of such assessments on a semi-annual basis, Lessee may elect to make the assessment payments on such basis. Lessee's obligations under the Subparagraph 16C shall be limited to those assessments which are payable during the term of this Lease and extensions thereof.

D. Payments to City.

Lessee agrees that in the event the interest of Lessee in the Leased Premises shall not be subject to taxation (possessory interest) by the County of Los Angeles, the City of Torrance, the Torrance Unified School District or by any taxing district encompassing said Leased Premises, or by any of said governmental agencies or districts, or by any successor or successors thereof, then in lieu of said taxes, Lessee shall pay each year on the anniversary date of this Lease to the City for the sole use and benefit of the City, a sum equal to the amount of all said taxes for the last tax year ending prior to such anniversary date which Lessee would have paid if such taxes had been assessed and levied.

E. Valuation.

Lessee understands that under the law now in effect the Leased Premises will be valued by the City's Tax Assessor for the purpose of assessing and levying real property (possessory interest) taxes by adhering to the formula contained in the case of De Luz Homes, Inc. v. County of San Diego, 45 Cal. 2d 546, 290 P.2d 544 (1955). Lessee agrees that if at any time during the term of this Lease the law is changed so as to require that said assessor value the interest of Lessee in the Leased Premises in a manner other than that being used by said assessor on the date of execution of this Lease as first above written,

which change will result in reduction of the amount of real property (possessory interest) taxes paid by Lessee on the value of its interest in the Leased Premises as compared to the amount of said taxes which would have been paid had such change not been made, then the Lessee shall pay to the City each year on the anniversary date of this Lease for the sole use and benefit of the City a sum equal to the amount of the difference in the real property (possessory interest) taxes between (1) the amount of said taxes for the last tax year ending prior to such anniversary date which Lessee actually paid to the County of Los Angeles, the City of Torrance, the Torrance Unified School District and any other taxing district encompassing said Leased Premises, or by any governmental agency or district, or by any successor or successors thereof, and (2) the amount of such taxes that Lessee would have paid had the value of the interest of Lessee in the Leased Premises been valued in accordance with the law and practice of said assessor as it existed on the date of execution of this Lease as first above written.

F. Additional Rent.

The amounts payable to the City, if any, under the provisions of subparagraphs D and E of this Paragraph 16 shall be deemed to be Additional Rent payable to the City as consideration for the execution of this Lease.

G. Sales Tax Permit.

Lessee agrees that it will require all sublessees to have obtained a California State Sales and Use Tax Permit, if applicable, for the portion of the Leased Premises utilized by such sublessee before doing business thereon.

H. Contests.

Lessee shall have the right, at the Lessee's sole cost and expense, to contest the amount or legality of any

taxes, assessments or utility charges which it is obligated to pay, and make application for the reduction thereof, or of any assessments upon which the same may be based, provided that Lessee first posts a bond with the City in an amount equal to the amount of such taxes, assessments or charges contested with interest and penalties, or by paying the amounts contested under protest. Lessee agrees that it will prosecute any such contest or application with due diligence and will within thirty (30) days after an adverse final determination thereof pay the amount of any such taxes, assessments or charges which may have been the subject of such contest or application as so determined, together with any interest, penalties, costs and charges which may be payable in connection therewith.

I. Ad Valorem Taxes.

If, during the term, federal or state taxes shall be imposed, assessed or levied on the fee interest of City in the Leased Premises, or on or with respect to any real or personal property constituting a portion of the fee interest of City in the Leased Premises, or on the rents derived by City from the Leased Premises in lieu of or in addition to such real or personal property taxes, and such new tax would most fairly be characterized as in the nature of an ad valorem or use tax, as opposed to an income or franchise tax on City's income, Lessee shall pay all such taxes, assessments, levies or charges imposed upon City within thirty (30) days of demand therefor by City.

17. LIABILITY

Lessee agrees that its taking possession of the said Leased Premises shall be an acceptance of the safety and condition thereof, and Lessee agrees to indemnify and hold the City free and harmless from any and all liability, claims, demands, damages, losses or costs by reason of any injury to any

person or persons, including but not limited to Lessee, or property of any kind whatsoever and to whomsoever belonging, including but not limited to Lessee's property, from any cause or causes whatsoever (excepting only the gross negligence of City) while in, upon or in any way connected with the said Leased Premises and any buildings constructed thereon during the term of this Lease, or any renewal or extension thereof, or any occupancy thereunder. In addition, Lessee covenants that it will not bring or allow to be brought upon, nor create nor allow the creation of, toxic wastes or pollutants of any kind upon the Leased Premises, and Lessee agrees to indemnify and hold the City free and harmless from any and all liability, claims, demands, damages, or costs of any kind whatsoever by reason of Lessee's failure to uphold said covenant at any time that Lessee is or has been in possession of the Lease Premises or any portion thereof under this Lease, the Seven Leases, or otherwise.

18. INSURANCE

A. Liability

(1) Lessee agrees that at all times during the term of this Lease and any renewal or extension thereof, it will maintain in full force and effect at Lessee's expense a standard comprehensive (commercial) general liability insurance policy with the broad form comprehensive liability endorsement and automobile liability insurance policy which will insure and indemnify the Lessee and the City, the City Council and each member thereof, and every officer and employee of the City against liability or financial loss and from all costs and expenses of litigation brought against the City in the amount of \$10,000,000 combined single limit for any injury to persons and/or damages to property (i) in or about said Leased Premises and any buildings or structures constructed thereon, or (ii) by reason of the use

and occupation by Lessee or by any other person or persons of said Leased Premises. The City, the City Council, and every officer and employee of the City, acting in due course of his employment or his official capacity, shall be named as an additional insured on said policy. Lessee may provide for any Approved Leasehold Mortgagee to be named as an additional insured on said policy.

(2) It is understood that the type of insurance and minimum limits of liability insurance required herein may become inadequate for such purposes during the term of this Lease, and Lessee agrees that it will add such insurance coverage and increase such minimum limits at its sole expense by such amounts as may be reasonably required by the City.

B. Property Damage

(1) Lessee agrees that at all times during the term of this Lease and any renewal or extension thereof, it will maintain in full force and effect at Lessee's expense an insurance policy which will insure and indemnify the Lessee and the City from loss occurring to buildings, structures, fixtures and other improvements (including foundations) on the Leased Premises by reason of fire, extended coverage perils, and "all risk" perils, including but not by way of limitation flood, demolition, and increased cost of construction and contingent liability arising out of the operation of building codes. If required by any "Leasehold Mortgagee" (as hereinafter defined), such property damage insurance policy shall also cover loss resulting from earthquake, but only to the extent required by such Leasehold Mortgagee. During any period of construction of improvements in the Leased Premises, such insurance policy shall include builder's risk insurance in so-called non-reporting form covering the total cost of work performed and equipment, supplies and

materials furnished. Lessee may provide for any Approved Leasehold Mortgagee to be named as an additional insured on said policy.

(2) The amount of such insurance shall be at least one hundred percent (100%) of the full replacement cost of the buildings, structures, fixtures, or such other improvements located on the Leased Premises with an agreed amount endorsement. The City shall be named as an additional insured on said policy, including any earthquake coverage that is required as set forth in Subparagraph 18B(1) above.

(3) On or before January 1, 1990, and on or before January 1 of each third year thereafter during the term of this Lease and any extension or renewal thereof, Lessee shall obtain an appraisal of the replacement cost of the buildings, structures, fixtures and other improvements as aforesaid. If the Lessee and the City cannot agree on said replacement cost, the same shall be determined in the manner provided in Paragraph 30 for the fixing of fair market value of the Leased Premises by appraisal. Lessee agrees that it will increase such minimum limits thereafter to at least equal such replacement cost.

C. Rent Insurance

(1) Lessee agrees that at all times during the term of this Lease and any renewal or extension thereof, it will maintain in full force and effect at Lessee's expense a business interruption and/or rent or rental value insurance policy with endorsements and coverage equivalent to the fire, extended coverage and "all risk" perils policies described in subparagraph B above, in an amount not less than twelve (12) months' rent (including an estimate of the amount of the Percentage Rent) plus the estimated annual cost of taxes and the annual premiums for insurance policies required to be carried under this Lease.

(2) All business interruption and/or rent or rental value insurance policies provided for herein shall name the City and Lessee as insureds as their respective interest may appear, but shall be deposited with the City. Such business interruption and/or rent or rental value insurance policies shall provide for payment of loss to the City to the extent of Lessee's obligations hereunder, and the difference between such payment and the amount of insurance collected shall be payable to Lessee. Any business interruption and/or rent or rental value insurance proceeds received by the City shall be applied against Lessee's rental obligations hereunder. Lessee may provide for any Approved Leasehold Mortgagee to be named as an additional insured on said policy.

D. Carrier Rating and Cancellation.

All policies enumerated in this Paragraph 18 shall be issued by an insurer admitted to do business in California, which qualifies as a member of the California Insurance Guaranty Fund, and which is rated in Best's Insurance Guide with a financial rating of A:XII or better, or as may be accepted in writing by the City Manager. Said policies shall provide that the insurance coverage shall not be cancelled or reduced by the insurance carrier without the City having been given sixty (60) days' prior written notice thereof by such carrier, and may provide for similar notice to any Approved Leasehold Mortgagee. Lessee agrees that it will not cancel or reduce said insurance coverage and will replace any insurance cancelled, reduced or non-renewed by the insurance company during the term of this Lease. Coverage pursuant to blanket insurance policies will be acceptable, but only so long as the blanket policy sets aside adequate insurance for the Leased Premises complying with this Lease and any insurance losses related to properties other than

the Leased Premises do not diminish the coverage available to the Leased Premises.

E. Copy of Policy.

At all times during the term of this Lease and prior to taking possession of said Leased Premises, Lessee shall maintain on file with the City Clerk of the City a certified copy of each insurance policy required herein and all amendments thereto. Notwithstanding any other provisions to the contrary contained in this Lease, Lessee shall not have the right to take possession of said Leased Premises until such copies are filed with the City Clerk.

F. Failure to Provide.

Lessee agrees that if it does not keep the aforesaid insurance in full force and effect, the City may obtain the necessary insurance and pay the premium thereon, and the repayment thereof shall be deemed to be Additional Rent and payable as such on the next day after notice of the payment by the City for the said insurance; provided, however, that City agrees not to obtain such insurance if, at any time prior to ten (10) days before the cancellation or expiration of the existing insurance becomes effective, City receives from an Approved Leasehold Mortgagee written assurance that such insurance shall be obtained, either by such Approved Leasehold Mortgagee or by Lessee, before the cancellation or expiration of the existing insurance becomes effective, and such Approved Leasehold Mortgagee's written agreement to indemnify and hold the City free and harmless from any and all liability, claims, demands, damages, losses or costs by reason of the failure of such Approved Leasehold Mortgagee or Lessee to obtain the insurance.

G. Lessee's Insurance Primary.

The insurance provided in the policies of insurance required hereunder to be maintained by Lessee shall be primary and non-contributing with any insurance that may be carried by the City.

H. Subrogation.

Lessee agrees to waive its right of subrogation against the City. Any insurance policies procured by Lessee hereunder shall provide that, to the extent that insurance is provided, the insurance carrier waives all rights of subrogation against the City and all of Lessee's subtenants and other occupants of the Leased Premises.

I. Cross Liability Endorsement.

It is agreed that claims for Personal Injury or Property Damage made by an insured hereunder against another insured hereunder shall be covered in the same manner as if separate policies had been issued to each Insured. Nothing contained herein shall operate to increase the insurance company's limit of liability as provided under such policy.

19. CASUALTY: INSURANCE PROCEEDS

A. Statement of Costs.

In the event of the partial or total destruction of any of the buildings, structures or other improvements on the Leased Premises where the cost of repair or replacement exceeds Ten Thousand Dollars (\$10,000), as established jointly by Lessee and the Director of Building and Safety of the City, Lessee shall promptly furnish the City with:

(1) A statement of the original cost of the damaged structures;

(2) An itemized statement setting forth the estimated cost of reconstruction thereof or repairs thereto, prepared by a California licensed architect or engineer.

B. Duty to Repair - Where Insurance

(1) In the event of the partial or total destruction of any of the buildings, structures or other improvements on the Leased Premises by any cause which is by the terms of this Lease required to be insured against (including any partial destruction where the cost of repair is less than Ten Thousand Dollars (\$10,000)), Lessee shall repair or rebuild the affected buildings, structures or other improvements to the condition existing prior to the occurrence of such destruction or damage, and shall do so even though the proceeds of the insurance policies covering the loss shall be insufficient to reimburse Lessee thereof; provided, however, that if such proceeds of insurance are more than sufficient to pay the cost of any such rebuilding, Lessee shall be entitled to receive any surplus.

(2) Any insurance proceeds exceeding Fifty-Thousand Dollars (\$50,000) shall be payable to an insurance trustee, acceptable to both parties, who shall disburse the funds for construction purposes as construction progresses and with such safeguards as said trustee may deem to be desirable to assure that workmen and materialmen are paid and that no mechanics liens may be recorded. If an Approved Leasehold Mortgagee, as defined in Paragraph 21 of this Lease, agrees to disburse such proceeds for restoration as aforesaid, such Approved Leasehold Mortgagee shall be acceptable to the City as the insurance trustee for purposes of this provision. If more than one Approved Leasehold Mortgagee desires to serve as the insurance trustee, the Approved Leasehold Mortgagee whose Approved Leasehold Mortgage has the higher priority shall be entitled to serve as the trustee.

C. Duty to Repair - Where No Insurance

(1) In the event of the partial or total destruction of any of the buildings, structures or other improve-

ments on the Leased Premises by any cause which is by the terms of this Lease not required to be insured against, then:

(a) If the cost to repair or restore such buildings, structures or other improvements is reasonably estimated to be less than fifteen percent (15%) of the fair market value of the same upon completion of such repair, then Lessee shall proceed to repair and replace the same at its own expense; or

(b) If the cost to restore or repair such damage or destruction is reasonably estimated to exceed fifteen percent (15%) of the fair market value of the same upon completion of such repair, Lessee may elect to demolish those buildings, structures and improvements designated by the City as requiring demolition, restore the Leased Premises to a neat, clean and level condition to the reasonable satisfaction of the City and terminate this Lease by notifying the City in writing of its intent to do so within sixty (60) days of the event causing such damage or destruction. If Lessee does not notify the City in writing of its election to demolish said improvements and terminate this Lease pursuant to this provision within said sixty (60) day period, Lessee shall be obligated to proceed with repairs and replacement in accordance with subparagraph C(1)(a), above. In the event the City and Lessee are unable to agree on fair market value as required pursuant to this provision, such fair market value shall be determined in accordance with the provisions of Paragraph 30 herein.

(2) Notwithstanding anything to the contrary contained in this Subparagraph 19C, Lessee shall not be required to repair or replace any buildings structures or other improvements on the Leased Premises where such buildings, structures or other improvements are damaged during the last two years

of the term of this Lease or any extension thereof. If Lessee shall elect not to so repair or replace the damaged buildings, structures or other improvements, then Lessee shall be deemed to have elected to cancel this Lease and it shall have no duty to repair, replace, or restore any portion of the Leased Premises and all liabilities of either party to the other party which would have accrued under this Lease from and after such date shall be cancelled; provided, however, that each party shall remain liable to the other party for any and all obligations and duties which arise or accrue under this Lease prior to such termination date. Notwithstanding anything to the contrary in this Lease, if Lessee terminates the Lease pursuant to this Paragraph, Lessee shall immediately pay over and assign to the City any insurance proceeds or other payments that may be received by Lessee as compensation or reimbursement for the damage or destruction of the Leased Premises including the buildings, structures or other improvements thereon, demolish those buildings, structures and improvements designated by the City as requiring demolition and restore the Leased Premises to a neat, clean and level condition to the reasonable satisfaction of the City.

(3) If Lessee shall elect to terminate this Lease as provided for above, it shall have no further obligation for rental or other payments hereunder from and after the date that such demolition and restoration are completed, and from and after the date that such demolition and restoration are completed, neither Lessee nor any Leasehold Mortgagee shall have any right, title, interest, lien or encumbrance in, to or upon the leased premises or any of the buildings, structures or other improvements located thereon.

D. Repair Work.

Any reconstruction, repair remodelling or rehabilitation work provided to be performed by Lessee hereunder shall be commenced and continued to completion promptly and diligently. Such reconstruction and repair work shall be performed, insofar as reasonably possible, in compliance with and pursuant to the original plans and specifications, the plans and specifications for the remodelling and rehabilitation work completed prior to the date of execution of this Lease and the plans and specifications for any future reconstruction, repair, remodelling or rehabilitation work that is performed upon the Leased Premises in accordance with the terms of this Lease. All such work shall be in compliance with the provisions of Paragraph 9 herein. The City may require a Payment Bond from Lessee to assure the removal or bonding of any liens.

E. Rent.

In the event of destruction or damage, whether total or partial, to the buildings, structures, or other improvements on the Leased Premises, the rent provided for hereunder shall not be abated by reason of the occurrence of any such destruction or damage as long as the term of this Lease continues and remains in existence and is not cancelled in accordance with subparagraph C(2) of this Paragraph 19 and the Percentage Rent payable during any period of construction or repair shall be equal to the greater of (a) the Percentage Rent payable pursuant to the provisions of this Lease based upon the actual Gross Rents derived from the Leased Premises during such period of construction or repair; or (b) the amount payable (or if Lessee fails to maintain such insurance, the amount which would have been payable) from the business interruption and/or rent or rental value insurance required to be maintained by Lessee pursuant to Paragraph 18C above.

20. ASSIGNMENT AND SUBLETTING

A. Consent

(1) Subject to the provisions of subparagraph 5.B(10) above, Lessee shall have the right to enter into subleases in the ordinary course of business, without the consent of the City, for space in the buildings located on the Leased Premises for the uses permitted herein; provided, however, that no such sublease may have a term, including renewals and extensions, which actually or potentially extends beyond the term of this Lease (not taking into account any option term pursuant to any option that has not been effectively exercised), and provided, further, that the prior written consent of the City Manager, or a designee chosen by the City Manager in his sole discretion, must be first obtained for any sublease for which:

(a) There is an aggregate potential term (including renewal and extension periods) of more than ten (10) years; or

(b) There is demised in the aggregate more than five percent (5%) of the net rentable floor area in the Leased Premises where "net rentable floor area" is defined as all areas used for the exclusive use of and occupancy by a subtenant of Lessee, measured from the exterior surface of exterior walls (and from the extensions thereof, in the case of openings), and from the midpoint of interior or common walls; including mezzanines, warehousing or storage areas, clerical or office areas, and employee areas; "net rentable floor area" shall not include truck tunnels, docks, areas for truck loading and unloading (to the extent such facilities lie outside exterior building lines), nor any utility and/or mechanical equipment vaults, rooms or penthouses; or

(c) The proposed sublessee has requested that the City execute a non-disturbance agreement inuring to the benefit of such proposed sublessee.

(2) Except as provided for in section (1) above, Lessee shall not sublet all or any part of the Leased Premises, or assign this Lease or any interest herein or in the Leased Premises, without first obtaining the written consent of the City Manager, or a designee chosen by the City Manager in his sole discretion, which consent shall not be unreasonably withheld. The giving of such consent shall not be a waiver of any right to object to further or future assignments or subleases, but the consent to each successive assignment or sublease must be first obtained in writing from the City Manager or his designee.

(3) Without limiting the City's right of refusal to consent to any assignment, sublease, or other transfer, the City Manager's or his designee's refusal to consent to any assignment, sublease or other transfer shall be considered reasonable:

(a) If, among other reasons, the proposed assignee, sublessee or transferee cannot demonstrate to the reasonable satisfaction of the City Manager, or his designee, that the business which it proposes to conduct from the Leased Premises would generate Percentage Rent and sales taxes in at least the amounts received by City as a result of the occupancy thereof by the assignor or existing sublessee; or

(b) If the proposed assignment, sublease or transfer would result in the creation of a "Leasehold Mortgage" other than an "Approved Leasehold Mortgage" (as those terms are hereunder defined); or

(c) If the Lessee cannot demonstrate to the reasonable satisfaction of the City Manager or his

designee, that such proposed assignment, sublease or transfer would not result in a partial assignment or a de facto division of the Lessee's rights or duties hereunder. It is the City's intention that this Lease be held as an entirety by the Lessee and, except for subleases made in the ordinary course of business as provided in section (1) above, it may not be divided. A primary consideration of the City in the joinder hereby of the Leased Premises, heretofore subject to the Seven Leases, as a single leasehold, is to establish and maintain a unity of ownership and operation of the Leased Premises throughout the term of this Lease; or

(d) If the proposed assignee, sublessee or transferee cannot demonstrate to the reasonable satisfaction of the City Manager, or his designee, that such assignee, sublessee or transferee complies with the requirements of Article 21.A below.

(4) Lessee represents and warrants that Norman R. La Caze is the sole general partner of La Caze Partnership, a California limited partnership, that La Caze Partnership is the sole general partner of Lessee, and that, through such entities, Norman R. La Caze owns at least fifty-one percent (51%) of all direct and indirect legal and beneficial interests in Lessee. So long as Lessee shall retain its interest hereunder, Norman R. La Caze shall at all times remain the sole general partner of La Caze Partnership, which shall remain the sole general partner of Lessee, and Norman R. La Caze shall own at least fifty-one percent (51%) of all direct and indirect legal and beneficial interests in Lessee; provided, however, that in the event of the death or judicially declared incompetency of Norman R. La Caze, members of the immediate family, or a trust for the benefit of the immediate family, of Norman R. La Caze

shall own at least fifty-one percent (51%) of all direct and indirect legal and beneficial interest in Lessee.

(5) Any of the transfers listed in Subparagraphs 20A(5)(a), (b) or (c), below, shall be deemed an assignment prohibited hereby unless the written consent of the City Council, or its designee, be first obtained thereto; provided, however, that any such transfer as a result of the death or judicially declared incompetency of any person listed in Subparagraphs 20A(5)(a), (b) or (c), below, may be made without the consent of the City Council, or its designee, so long as such transfer is to the immediate family, or to a trust for the benefit of the immediate family, of such deceased or incompetent person and so long as the interests required by Section (4) above are maintained.

(a) If Lessee or any entity owning any interest, direct or indirect, in Lessee is a partnership or joint venture, the addition (voluntary, involuntary, by operation by law, or otherwise) of any new partner or adventurer thereof; or

(b) If Lessee is composed of more than one person, a purported assignment or transfer (voluntary or involuntary, by operation of law, or otherwise) from one to any other person not among the then existing Lessee's; or

(c) If Lessee or any entity owning any interest, direct or indirect, in Lessee is a corporation or other entity (other than a corporation whose shares are publicly traded on a recognized stock exchange), a change in the ownership (voluntary, involuntary, or by operation of law, or otherwise) of any of its capital stock which results in the addition of any new stockholder.

(6) Lessee shall give the City prompt written notice of any such change in the direct or indirect ownership

interests in Lessee, including but not limited to any change in or addition to the limited partners of Lessee whether or not the consent of the City is required therefor and whether or not Norman R. La Caze retains the interests required by Section (4) above.

(7) Any assignment, sublease or other transfer consented to by the City Council, or its designee, shall be consummated within 180 days of the consent thereto, and if not so consummated within such period the City Council's, or its designee's, consent thereto shall void and be of no force or effect and the City Council's or its designee's, consent according to this Paragraph 20 shall again be required prior to any assignment, sublease or other transfer except as provided in Section (1) above.

B. Vesting.

As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any assignee or sublessee of the Lessee's interest hereunder (except a sublessee under the provisions of subparagraph A(1) of Paragraph 20), whether voluntary or involuntary, each such proposed assignee or sublessee shall first have delivered to the City Clerk of the City a written notice of such proposed assignment or sublease, which notice:

(1) Shall contain a statement that the proposed assignee or sublessee agrees to be bound by all the terms, covenants and conditions of this Lease which are to be performed by Lessee;

(2) Shall state the name and address of the proposed assignee or sublessee for the purpose of enabling notices to be given under Paragraph 26 herein; and

(3) Shall state whether the proposed assignee or sublessee is an individual, a corporation, partnership or another entity; and if such assignee or sublessee is a corporation or other entity, the names of such corporation's or entity's principal officers and directors, its state of organization, the amount of capital stock or other evidences of ownership authorized and outstanding at the time of the assignment, the number of shareholders or other interest owners and (except in the case of a corporation whose shares are publicly traded on a recognized stock exchange) the name and address of every shareholder or owner who directly or indirectly owns or controls five percent (5%) or more of such stock or other evidences of ownership (stating the number of such shares or other evidences of ownership); and if such assignee or sublessee is a partnership, the names and addresses of all members of such partnership.

C. Voidability.

Any sale, assignment, sublease or transfer which has been made in violation of or which is not in full compliance with the provisions of this Paragraph 20 shall be voidable by the City and shall constitute a material default under this Lease.

D. Existing Subleases.

The City approves all subleases of the Leased Premises existing as of the commencement of the term of this Lease (the "Existing Lease"). Neither the making of this Lease, nor the termination of the Seven Leases, shall result in the termination of or any right to terminate any of the Existing Leases. Those Existing Leases which were subject and subordinate to the Seven Leases and which would terminate or be terminable upon any termination of the Seven Leases shall remain subject and subordinate to this Lease and shall terminate or be terminable upon

any termination of this Lease. Those Existing Leases which were entitled to recognition and non-disturbance in the event of any termination of the Seven Leases shall be entitled to recognition and non-disturbance upon any termination of this Lease.

E. Non-Disturbance and Attornment. Except to the extent a separate non-disturbance and attornment agreement between the City and any sublease of the Leased Premises shall control, all subleases of the Leased Premises (including without limitation the Existing Leases) shall, at the City's option in its sole discretion, be subject and subordinate to this Lease. Upon the expiration or sooner termination of this Lease, all subleases of the Leased Premises shall, at the City's option in its sole discretion, be assigned to the City and all sublessees shall be required, at the City's option in its sole discretion, to attorn to the City. Lessee agrees that all subleases entered into by Lessee from and after the commencement of the term of this Lease shall contain such an attornment required.

F. Encumbrances by City.

The City shall not encumber its fee interest in the Leased Premises unless such encumbrance shall be expressly subordinated to this Lease, to any new lease entered into pursuant to subparagraph 21C(4) below and to all subleases arising therefrom.

21. ENCUMBRANCES.

A. Definitions.

(1) The term "Leasehold Mortgage" shall mean any mortgage, deed of trust or other security instrument encumbering Lessee's interest under this Lease and the leasehold estate created hereby, executed by Lessee and delivered for the purpose of securing any indebtedness incurred by Lessee.

(2) The term "Leasehold Mortgagee" shall mean the mortgagee, or trustee and beneficiary, under any Leasehold Mortgage.

(3) The term "Approved Leasehold Mortgage" shall mean a Leasehold Mortgage provided that: (1) such Leasehold Mortgage is given only to secure an indebtedness, the original principal amount of which, when added to the indebtedness then secured by any other Approved Leasehold Mortgage, does not exceed eighty percent (80%) of the fair market value of the Lessee's leasehold interest under this Lease together with Lessee's interest in all buildings, structures and improvements located on the Leased Premises, determined as of the date of funding of such Leasehold Mortgage; (2) the principal amount of the indebtedness secured by such Leasehold Mortgage, notwithstanding any negative amortization or accrual of interest, can at no time exceed one hundred ten percent (110%) of its original principal balance; (3) the debt service required by such Leasehold Mortgage, when added to the debt service required by any other Approved Leasehold Mortgage, does not result in a debt coverage ratio of less than 1.2 to 1.0, determined as of the date of funding of such Leasehold Mortgage; (4) such Leasehold Mortgage shall be an assignment or encumbrance only of the Lessee's interest under this Lease and the leasehold estate created hereby and shall not convey or be a lien upon the City's freehold estate in the Leased Premises or the City's reversionary interest in all buildings, structures and improvements located on the Leased Premises; (5) there shall not be more than two (2) Approved Leasehold Mortgages encumbering this Lease at any one time; and (6) no modification or amendment is made to such Approved Leasehold Mortgage or the obligations secured thereby which modification or amendment would, by itself or in aggre-

gation with other modifications or amendments being made in connection therewith, cause the principal amount secured by, or the debt service required by, such Leasehold Mortgage to be increased. In the event the City and Lessee are unable to agree on fair market value as required pursuant to this definition, such fair market value shall be determined in accordance with the provisions of Paragraph 30 herein. For purposes of this definition: (i) the term "net operating income" shall mean all normal and customary operating income from the Leased Premises less normal and customary operating expenses of the Leased Premises (including management fees, minimum Basic Rent, Percentage Rent and Additional Rent) as determined in accordance with generally accepted accounting principals consistently applied, but without deduction for depreciation or debt service; (ii) the term "debt service" shall mean the greater of: (a) all sums actually paid or payable, under the terms of any note or other obligation or obligations secured by an Approved Leasehold Mortgage except for any balloon payment of principal at maturity of any such note or obligation(s), or (b) an imputed amount equal to all sums that would be paid or payable if such payments were based upon the actual rate at which interest is accruing under the terms of any note or other obligation or obligations secured by an Approved Leasehold Mortgage except for any balloon payment of principal at maturity of any such note or obligation(s), and (iii) the term "debt coverage ratio" shall mean the ratio of annual net operating income from the Leased Premises to annual debt service on all Approved Leasehold Mortgages. For purposes of this definition, income must be evidenced by executed rental agreements delivered to and approved by City, with all tenants in unconditional occupancy of the Leased Premises and paying full rent, and expenses must be evidenced by operating statements in form and substance satisfactory to City.

(4) The term "Approved Leasehold Mortgagee" shall mean an institutional lender which is a Leasehold Mortgagee under or pursuant to an Approved Leasehold Mortgage.

B. Right to Encumber.

During the term of this Lease, Lessee may assign for security purposes only or may encumber Lessee's interest under this Lease and any Subleases and the leasehold estate created hereby pursuant to an Approved Leasehold Mortgage in favor of an Approved Leasehold Mortgagee and in that connection may perform any and all acts and execute any and all instruments necessary or proper to consummate any loan transaction and perfect the security therefor. Anything contained in this Lease to the contrary notwithstanding, Lessee shall be prohibited from creating any assignment or encumbrance on its interest in this Lease or the leasehold estate created thereby, unless such assignment or encumbrance is pursuant to an Approved Leasehold Mortgage.

C. Agreements Regarding Approved Leasehold Mortgagees.

(1) Notices to Approved Leasehold Mortgagees.

Copies of all notices of Lessee's default under this Lease delivered by the City to Lessee shall be concurrently served by the City on any Approved Leasehold Mortgagee by United States mail, postage prepaid, certified mail, at the address last provided to the City in writing by such Approved Leasehold Mortgagee and no such notice shall be effective as against such Approved Leasehold Mortgagee until so served upon the Approved Leasehold Mortgagee; provided, however, that the City shall incur no liability whatsoever on account of any failure to provide such copies to any such Approved Leasehold Mortgagee.

(2) Approved Leasehold Mortgagee's Rights

to Cure.

(a) The City shall not terminate this Lease because of any default by Lessee without first providing written notice (in the manner set forth in Subparagraph C(1), above) to any Approved Leasehold Mortgagee and if, within fifteen (15) days after its receipt of such notice from the City in the case of a default which can be cured by the payment or expenditure of money, or within forty-five (45) days after its receipt of such notice from the City in the case of a default which cannot be cured by the payment or expenditure of money, any Approved Leasehold Mortgagee shall at its election either:

(1) Cure such default within such fifteen (15) day period, if the default can be cured by the payment or expenditure of money or, if the default cannot be cured by the payment or expenditure of money but otherwise can be cured without taking possession, commence to cure the default within such forty-five (45) day period and thereafter diligently proceed to complete the cure; or

(2) (i) Institute a trustee's sale or judicial foreclosure proceedings under its Approved Leasehold Mortgage and thereafter diligently proceed to complete such proceedings; (ii) cure such default within such fifteen (15) day period if the default can be cured by the payment or expenditure of money or, if the default cannot be cured by the payment or expenditure of money but can be cured without the Approved Leasehold Mortgagee obtaining possession of the Leased Premises, commence to cure the default within such forty-five (45) day period and thereafter diligently proceed to complete the cure; (iii) comply with all of the terms and conditions of this Lease requiring the payment or expenditure of money by Lessee or which

can otherwise be complied with without possession of the Leased Premises (including but not limited to Paragraph 10 of this Lease) until such time (the "Foreclosure Date") as this Lease has been sold by trustee's sale, judicial foreclosure or transfer in lieu of foreclosure under the Approved Leasehold Mortgage; and (iv) commence to cure all non-monetary defaults which cannot be cured without possession of the Leased Premises within thirty (30) days following the Foreclosure Date and thereafter diligently proceed to complete the cure thereof; provided, however, that any non-curable default by Lessee (such as an unauthorized assignment, Lessee's abandonment or vacation of the Leased Premises, bankruptcy or other matter personal to the Lessee) shall be deemed waived by the City but only as to an Approved Leasehold Mortgagee so long as such Approved Leasehold Mortgagee otherwise complies with all provisions of this subparagraph (a).

(b) In the event that all or some portion of the records of Lessee documenting the operation of the Leased Premises are not available, whether due to Lessee's abandonment or vacation of the Leased Premises or otherwise, and the absence of such records prevents the Approved Leasehold Mortgagee or City from accurately determining the amount of Percentage Rent payable to City necessary to cure any default in the payment of Percentage Rent pursuant to Subparagraph 21C(2)(a) above, the Approved Leasehold Mortgagee shall pay to City on account of such Percentage Rent in an amount equal to the Percentage Rent payable during the corresponding period of the last Lease Year prior to the period in question in which Percentage Rent was paid. Thereafter, either City or the Approved Leasehold Mortgagee shall have the right to conduct an independent audit in an attempt to determine the correct amount of Percentage Rent payable to City and, in the event that such correct amount is determined in accordance

with the audit procedures set forth in Paragraph 5D of this Lease, the parties agree that any resulting increase or decrease in Percentage Rent due shall be payable by the Approved Leasehold Mortgagee within the time frame set forth in Paragraph 5D of this Lease or credited against the next payment of Percentage Rent payable by Approved Leasehold Mortgagee, as the case may be.

(c) If no Approved Leasehold Mortgagee complies with at least one of the conditions of subparagraph (a) of this Paragraph (2), the City shall be released from the covenant of forbearance contained in this Paragraph.

(3) Prosecution of Foreclosure.

An Approved Leasehold Mortgagee shall be deemed to be diligently proceeding to complete a trustee's sale or judicial foreclosure notwithstanding the fact that such proceedings or the commencement of such proceedings are stayed by statute, rule, court order, bankruptcy stay, or other similar enactment or action, provided that (a) such Approved Leasehold Mortgagee is at all times during such stay in compliance with the provisions of subsection C(2)(b)(ii) and (iii) hereof, and (b) the duration of all such stays does not exceed twenty-four (24) months in the aggregate.

(4) New Lease.

(a) If this Lease terminates because of a default by Lessee or any other event or circumstance which entitles the City to terminate this Lease (including: (i) a termination as a result of any stays described in subparagraph 21.C(3) exceeding twenty-four (24) months in duration in the aggregate, and (ii) a termination as a result of a bankruptcy of Lessee and disaffirmation of the Lease by Lessee, either as a debtor-in possession or through a trustee in bankruptcy), the City shall provide any Approved Leasehold Mortgagee with written

notice of such termination. If within thirty (30) days after receiving notice of such termination, an Approved Leasehold Mortgagee by written notice to the City requests that the City enter into a new lease for the Leased Premises, then the City shall enter into a new lease for the Leased Premises with the Approved Leasehold Mortgagee or a wholly-owned subsidiary of such Approved Leasehold Mortgagee within thirty (30) days after the Approved Leasehold Mortgagee's request, provided that the Approved Leasehold Mortgagee has delivered to the City at the time of such request the Approved Leasehold Mortgagee's written agreement to cure Lessee's defaults under this Lease [except for any non-curable default by Lessee (such as an unauthorized assignment, Lessee's abandonment or vaction of the Leased Premises, bankruptcy or other matter personal to the Lessee), which non-curable default shall be deemed waived by the City but only as to an Approved Leasehold Mortgagee so long as such Approved Leasehold Mortgagee otherwise complies with all provisions of the new lease] and provided further that if Lessee has defaulted under any provision of this Lease relating to the construction of any building, structure or other improvement, the Approved Leasehold Mortgagee shall have entered into a written agreement with City pursuant to which such Approved Leasehold Mortgagee has agreed to perform the remaining obligations of Lessee under said provisions in a manner and within a time period satisfactory to City, or obtained the agreement of a third party satisfactory to City to so perform such obligations. The new lease shall commence, and rent and all obligations of the Approved Leasehold Mortgagee shall begin to accrue, as of the date of termination of this Lease. The term of the new lease shall be for the period which would have constituted the remainder of the term of this Lease had this Lease not been terminated,

and the new lease shall be upon all of the other terms and conditions of this Lease, as modified by all amendments, if any, entered into by City and Lessee. It is the intention of the parties hereto that such new lease shall have the same priority relative to other rights or interests to or in the Leased Premises as this Lease, and such priority shall date back to the date of this Lease. The new lease shall be free of all rights of Lessee; provided, however, that nothing herein contained shall be deemed to impose any obligation on City to deliver physical possession of the demised premises to any Approved Leasehold Mortgagee unless City at the time of the execution and delivery of such new lease shall have obtained physical possession thereof. In the event an Approved Leasehold Mortgagee provides written notice in accordance with this Subparagraph 21(C)(4) to the City that it wishes to enter into a new lease with the City for the Leased Premises, City shall not, without the prior approval of the Approved Leasehold Mortgagee, enter into any new sublease, or modify or terminate any existing sublease of the Leased Premises, during the period of time between termination of this Lease and the commencement of the term of the new lease. The new lease shall provide that any rents collected by the City from the sublessees of the Leased Premises during the period between the termination of the Lease and the commencement of the term of the new lease shall be credited against amounts payable by the Approved Leasehold Mortgagee under the terms of the terminated Lease and the new lease, provided, however, that all costs and expenses incurred by the City as a result of the default of Lessee, including but not limited to the costs and expenses incurred in curing the default and obtaining possession of and operating the Leased Premises, shall be deducted therefrom prior to giving any such credit. Lessee shall provide in all subleases

pertaining to the Leased Premises that each subtenant of the Leased Premises shall, at an Approved Leasehold Mortgagee's option, attorn to the Approved Leasehold Mortgagee under the new lease, and all Approved Leasehold Mortgagees agree to accept such an attornment, provided the subtenant is not in default under its sublease at the time of such attornment. Upon execution of the new lease, City shall execute an assignment in favor of the Approved Leasehold Mortgagee of all of the City's interests, if any, in the subleases of sublessees who have attorned to the City subsequent to the termination of this Lease. Prior to or upon execution of the new lease, the Approved Leasehold Mortgagee shall (a) pay to the City all Minimum Basic Rent, Percentage Rent, Additional Rent and other amounts owing to the City by Lessee under this Lease as of the date of termination of this Lease; (b) shall pay to the City all rent and other amounts due under the new lease from the date of commencement of the term of the new lease to the date of execution of the new lease; (c) shall pay to the City all reasonable costs and expenses incurred by the City in connection with the new lease; and (d) shall provide in a manner satisfactory to City for the cure of all nonmonetary defaults of Lessee under this Lease.

(b) If more than one Approved Leasehold Mortgagee shall make written request upon City for a new lease in accordance with the provisions of subparagraph (a) above, then such new lease shall be entered into pursuant to the request of the Approved Leasehold Mortgagee whose Approved Leasehold Mortgage shall be junior in lien provided: (1) the Approved Leasehold Mortgagee senior in lien shall have been paid all installments of interest and amortization of principal then due and owing to such Approved Leasehold Mortgagee plus all expenses, including reasonable attorneys' fees, incurred by such senior

Approved Leasehold Mortgagee in connection with the termination of this Lease and with the execution and delivery of such new lease; (2) the new lessee will assume, in writing, all of the covenants, agreements and obligations on the part of the mortgagor under such senior Approved Leasehold Mortgage to be kept, observed and performed on the part of such mortgagor, subject nevertheless to the terms and conditions of such senior Approved Leasehold Mortgage (which may contain exculpatory provisions which shall move to the benefit of such new lessee); (3) such new lease shall contain all of the same provisions and rights in favor of and for the benefit of Approved Leasehold Mortgagees thereof, as are contained in this Lease, including, but not limited to the right to obtain a new lease in the event of the termination of said lease, and the right to receive notices of default, and to cure the same, in the same manner as provided in this Lease; and (4) the senior Approved Leasehold Mortgagee (at no expense to such senior Approved Leasehold Mortgagee) shall have received from the title insurance company insuring the senior Approved Leasehold Mortgage assurances satisfactory to such senior Approved Leasehold Mortgagee that said senior Approved Leasehold Mortgage and any assignment of rents and other security instruments executed in connection therewith will continue, with respect to such new lease, in the same manner and order of priority of lien as was in existence with respect to this Lease; and thereupon the leasehold estate of the new lessee created by such new lease shall be subject to the lien of the senior Approved Leasehold Mortgages in the same manner and order of priority of lien as was in existence with respect to this Lease. In the event not all of the foregoing provisions shall have been satisfied by or with respect to any such junior Approved Leasehold Mortgagee, the senior Approved Leasehold Mort-

gagagee shall have paramount rights to the benefits set forth in subparagraph (a), above. In the event of any dispute as to the respective senior and junior priorities of any such Approved Leasehold Mortgages, the certification of such priorities by a title company doing business in the state where the Leased Premises are located, satisfactory to the City, shall be conclusively binding on all parties concerned. Should there be a dispute among Approved Leasehold Mortgagees as to compliance with the foregoing provisions City may rely on the affidavit of the senior Approved Leasehold Mortgagee as to compliance by any junior Approved Leasehold Mortgagee. City's obligation to enter into a new lease with any junior Approved Leasehold Mortgagee shall be subject to the receipt by City of evidence reasonably satisfactory to it that the conditions of clauses (1), (2) and (4) above have been satisfied with respect to the senior Approved Leasehold Mortgagee.

(c) The right of a senior Approved Leasehold Mortgagee under subparagraph (a), above to request a new lease may, notwithstanding any limitation of time set forth above in this Paragraph, be exercised by the senior Approved Leasehold Mortgagee within ten (10) days following the failure of a junior Approved Leasehold Mortgagee to have exercised such right, but not more than forty (40) days after the giving of notice by Landlord of termination of this Lease as in subparagraph (a) above provided.

(5) Performance by Approved Leasehold Mortgagee.

The City agrees to accept performance by any Approved Leasehold Mortgagee of Lessee's obligations under this Lease or any new lease entered into pursuant to subparagraph (4), above, with the same force and effect as if

performed by Lessee; provided, however, that an Approved Leasehold Mortgagee shall not become liable for the performance of Lessee's obligations under this Lease or such new lease unless and until the Approved Leasehold Mortgagee acquires title to the Lease or such new lease, and provided further that an Approved Leasehold Mortgagee acquiring title to this Lease or the new Lease shall be liable for the performance of Lessee's obligations under this Lease only for so long as the Approved Leasehold Mortgagee holds title to this Lease or such new Lease. The City agrees that an Approved Leasehold Mortgagee may, upon acquiring title to the Leased Premises pursuant to either this Lease or the new lease, enter thereon to perform any curative act.

(6) Transfers by Foreclosure and by Approved Leasehold Mortgagee.

(a) The City's consent shall not be required for a transfer of this Lease to an Approved Leasehold Mortgagee or a wholly-owned subsidiary of an Approved Leasehold Mortgagee by trustee's sale, judicial foreclosure, or deed in lieu of foreclosure.

(b) The consent of the City Council shall be required for a transfer of this Lease to (i) any person, corporation or other entity, other than an Approved Leasehold Mortgagee or a wholly-owned subsidiary of an Approved Leasehold Mortgagee, which seeks to purchase the interest of Lessee at any trustee's sale or judicial foreclosure proceedings (collectively, "Foreclosure Transferee"), or (ii) any proposed "Transferee" (as defined in Paragraph 21A, below), of an Approved Leasehold Mortgagee which has acquired the interest of Lessee by assignment, transfer, foreclosure, deed in lieu of foreclosure or by any other means. Such consent of the City Council shall not be unreasonably withheld. Without limiting the City's right of

refusal to consent to any assignment or transfer to a proposed Foreclosure Transferee or Transferee, such proposed Foreclosure Transferee or Transferee, shall in order to facilitate City's reasonable consideration of such request for consent: (i) demonstrate to the City's reasonable satisfaction that such proposed Foreclosure Transferee or Transferee is financially capable of performing the Lessee's obligations under this Lease and is experienced in operating commercial retail shopping centers similar to the Leased Premises; or (ii) demonstrate to the City's reasonable satisfaction that such proposed Foreclosure Transferee or Transferee is financially capable of performing the Lessee's obligations under this Lease and has engaged the services of a management company reasonably acceptable to an approved in writing by the City, which management company shall be experienced in operating commercial retail shopping centers similar to the Leased Premises and which management company shall actively operate and manage the Leased Premises; and (iii) disclose the identity of all partners, if such proposed Foreclosure Transferee or Transferee is a partnership, or of all officers, directors and shareholders, if such proposed Foreclosure Transferee or Transferee is a corporation (except that the names of the shareholders shall not be required if the corporation is traded on a national stock exchange); and (iv) demonstrate that the proposed Foreclosure Transferee or Transferee enjoys a good reputation in the business community for fairness, honesty, competence and good business practice.

(7) No Merger.

Without the written consent of all Approved Leasehold Mortgagees, there shall be no merger of this Lease or of the leasehold estate created hereunder with the fee estate in the Leased Premises by reason of the fact that this

Lease or the leasehold estate may be held directly or indirectly by or for the benefit of any person who owns the fee estate in the Leased Premises or any portion thereof.

(8) Estoppel Certificates.

The City and Lessee shall at any time and from time to time upon not less than ten (10) days prior written request by the other, deliver to the requesting party an executed and acknowledged written statement certifying that:

(a) this Lease is unmodified and in full force and effect (or if this Lease has been modified or if this Lease is not in full force or effect, stating the nature of the modification or the basis on which this Lease had been terminated, whichever is applicable); (b) to its knowledge, the requesting party is not in default under this Lease (or if any such default exists, stating the specific nature and extent of the default); and (c) the dates to which the monthly rent and other monetary obligations under this Lease have been paid in advance. Each certificate delivered pursuant to this section may be relied upon by any prospective purchaser or transferee of the City's or Lessee's respective interests in the Leased Premises, including without limitation any prospective Approved Leasehold Mortgagee. At the request of Lessee, City agrees to evaluate information provided by any prospective Leasehold Mortgagee to determine whether such prospective Leasehold Mortgagee qualifies under the requirements of this Paragraph 21 as an Approved Leasehold Mortgagee, and if, based upon such information, City finds that such prospective Leasehold Mortgagee appears to so qualify, then City shall so indicate in its estoppel certificate, based upon its actual knowledge and belief as derived from the information provided to it.

(9) No Voluntary Surrender.

Notwithstanding anything to the contrary contained in this Lease, no voluntary surrender of this Lease by Lessee or amendment or mutual termination of this Lease shall be effective without the prior written consent of all Approved Leasehold Mortgagees.

21A. FINANCIAL CAPABILITY & EXPERIENCE.

At any time, and from time to time, at the reasonable request of the City, Lessee, or any assignee or transferee of this Lease or any interest therein, whether through assignment, transfer, foreclosure, deed in lieu of foreclosure or otherwise (collectively a "Transferee"), shall (i) demonstrate to the City's reasonable satisfaction that Lessee or such Transferee is financially capable of performing the Lessee's obligations under this Lease and experienced in operating commercial retail shopping centers similar to the Leased Premises; or (ii) demonstrate to the City's reasonable satisfaction that Lessee or such Transferee is financially capable of performing the Lessee's obligations under this Lease and has engaged the services of a management company reasonably acceptable to and approved in writing by the City which management company shall be experienced in operating commercial retail shopping centers similar to the Leased Premises and which management company shall actively operate and manage the Leased Premises; and (iii) disclose the identity of all partners, if such Transferee is a partnership, or of all officers, directors and shareholders, if such Transferee is a corporation (except that the names of the shareholders shall not be required if the corporation is traded on a national stock exchange); and (iv) demonstrate that the Transferee enjoys a good reputation in the business community for fairness, honesty, competence and good business practice. Anything contained herein to

the contrary notwithstanding, any failure by Lessee or such Transferee to demonstrate such financial capability and experience to City's reasonable satisfaction shall constitute a default by the Lessee under the terms of this Lease.

22. BREACH OR DEFAULT

A. Event of Default.

Any of the following shall constitute an event of default ("Event of Default") by Lessee under this Lease:

(1) Failure of Lessee to pay when due the Minimum Basic Rent, the Percentage Rent, the Additional Rent or any other sums payable by Lessee under this Lease, and the continuance of such failure for ten (10) days after written notice from the City specifying such failure to pay; or

(2) The abandonment or vacation of the Leased Premises for any reason; or

(3) The failure of Lessee to perform any other obligation hereunder which shall not be remedied to the satisfaction of City within thirty (30) days after written notice from the City specifying such failure to perform (or, if such failure cannot reasonably be remedied by Lessee within thirty (30) days, if Lessee shall not have commenced appropriate action to effect such remedy within said thirty (30) day period and thereafter prosecuted such action to completion with all due diligence); or

(4) Except as otherwise provided by paramount law, the entry of any decree or order for relief by any court with respect to Lessee in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, liquidator, assignee, trustee, sequestrator or other similar official, of the Leased Premises or of Lessee or of any substan-

tial part of the property of Lessee or the ordering or winding up or liquidating of the affairs of Lessee and the continuance of such decree or order unstayed and in effect for a period of sixty (60) days; or the commencement by Lessee of a voluntary proceeding under the Federal Bankruptcy Code or any other applicable state or federal law or consent by Lessee to the entry of an order for relief in an involuntary case under any such law, or consent by Lessee to appointment of or taking of possession by a receiver, liquidator, assignee, trustee, sequestrator or other similar official, of Lessee or of any substantial part of the property of Lessee or the making by Lessee of any general assignment for the benefit of creditors; or the failure of Lessee to operate its business for ten (10) business days when such failure is due to any financial difficulty; or Lessee taking any other voluntary action related to the dissolution of Lessee or the winding up of Lessee's affairs.

B. City's Remedies

(1) If an Event of Default by Lessee shall occur and be continuing as aforesaid, then in addition to any other remedies available to the City at law or in equity and subject to the rights of any Approved Leasehold Mortgagee, as provided in this Lease, the City shall have the immediate option to terminate this Lease, and bring suit against Lessee or submit the issue of Lessee's default to judicial reference in accordance with the provisions of Paragraph 31 herein and recover as an award in such suit or judicial reference proceeding the following:

(a) The worth at the time of award of the unpaid rent and all other sums due hereunder which had been earned at the time of termination;

(b) The worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided;

(c) The worth at the time of award of the amount by which the unpaid rent and all other sums due hereunder for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided;

(d) Any other amount necessary to compensate the City for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things could be likely to result therefrom; and

(e) Such amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable California law.

(2) The "worth at the time of award" of the amounts referred to in subsections (a) and (b) above shall be computed by allowing interest at the lesser of one and one-half percent (1-1/2%) per month or the maximum allowable rate under applicable law on the date of the award. The "worth at the time of award" of the amount referred to in subsection (c) is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

(3) If an Event of Default shall occur, and the City shall choose not to exercise the option to terminate this Lease as provided herein, this Lease shall continue in full force and effect for so long as the City chooses not to terminate

Lessee's right to possession, and the City may enforce all its rights and remedies under this Lease, including the right to recover rent as it becomes due.

(4) For the purpose of this subparagraph B, the following shall not constitute a termination of the Lessee's right to possession:

(a) Acts of maintenance or preservation or effort to relet all or any part of the Leased Premises; or

(b) The appointment of a receiver upon initiative of the City to protect the City's interest under this Lease.

(5) The City may, at any time after Lessee commits a default under this Lease, remedy such default at Lessee's expense; provided, however, that the City shall have no obligation to do so and, once having commenced to remedy any such default, the City shall have no obligation to continue or prosecute such cure to completion. If the City at any time, by reason of Lessee's default, pays any sum or does any act that requires the payment of any sum, the sum paid by the City shall be due immediately from Lessee to the City at the time the sum is paid, and if paid at a later date shall bear interest at the lesser of the rate of one and one-half percent (1-1/2%) per month from the date the sum is paid by the City until the City is reimbursed by Lessee or the maximum rate allowed by law. The sum, together with interest on it, shall be Additional Rent.

C. Receipt of Rent Not Waiver of Default.

The receipt by the City of Minimum Basic Rent, Percentage Rent, Additional Rent or any other charges due to the City, with knowledge of any breach of this Lease by Lessee or of any default on the part of Lessee in the observance or perfor-

mance of any of the conditions or covenants of this Lease, shall not be deemed to be a waiver of any provisions of this Lease. No acceptance by the City of a lesser sum than the Minimum Basic Rent, Percentage Rent, Additional Rent, or any other charges then due shall be deemed to be other than on account of the earliest installment of the Minimum Basic Rent, Percentage Rent, Additional Rent or other charges due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as the Minimum Basic Rent, Percentage Rent, Additional Rent or charges due be deemed an accord and satisfaction, and the City may accept such check or payment without prejudice to the City's right to recover the balance of such installment or pursue any other remedy provided in this Lease.

D. Failure to Enforce Covenant Not Invalidation.

No failure on the part of the City to enforce any covenant or provision herein contained, nor any waiver of any right hereunder by the City shall discharge or invalidate such covenant or provision or affect the right of the City to enforce the same in the event of any subsequent breach or default, unless expressly agreed to by the City Manager in writing.

E. Receipt of Post-Termination Rent Not Reinstatement.

The receipt by the City of any of the Minimum Basic Rent, Percentage Rent, Additional Rent or any other sum of money or any other consideration paid by Lessee after the termination in any manner of the term, or after notice by City of such termination, shall not reinstate, continue, or extend the term hereof, or destroy, or in any manner impair the efficacy of any such notice of termination as may have been given hereunder by the City to Lessee prior to the receipt of any such sum of money or other consideration, unless so agreed to in writing and signed by the City Manager.

F. Acceptance of Keys Not Acceptance of Surrender.

Neither acceptance of the keys nor any other act or thing done by the City or by its agents or employees during the term shall be deemed to be an acceptance of a surrender of the Leased Premises, excepting only an agreement in writing signed by the City Manager accepting or agreeing to accept such a surrender.

23. COMPLIANCE WITH LAW

Lessee agrees to comply with, and to cause all sublessees, licensees and concessionaires to comply with, all statutes, ordinances, rules, laws or regulations of any governmental agency (including, without limitation, those of the City of Torrance) which are applicable to said Leased Premises or the operation of Lessee or such sublessees on the Leased Premises.

24. RIGHT OF ACCESS

A. City's Access to Leased Premises.

During normal business hours, the City and the City's officers, employees and agents shall have the right to enter upon the Leased Premises or any buildings, structures or other improvements thereon for the purpose of inspecting the same and posting notices of non-responsibility or any other notices the City may reasonably deem necessary or desirable, provided, however, that the City shall be liable for any damage caused by the City's exercise of its rights pursuant to this Subparagraph 24A, where such exercise shall have been unreasonable and without due care.

B. Lessee's Access to Airport Runways.

Lessee shall have no right of access for aircraft, vehicles or people to the runways, taxiways or other property or facilities on the Torrance Municipal Airport.

25. QUIET ENJOYMENT

Except as provided in Paragraph 24 and otherwise herein, the City covenants that Lessee, upon paying the Rent expressly reserved in this Lease and observing and keeping the terms, covenants, and conditions of this Lease on its part to be kept and performed, shall lawfully and quietly hold, occupy and enjoy the Leased Premises during the term of this Lease.

26. NOTICES

A. Notices to City.

All notices hereunder given by Lessee to the City shall be in writing and delivered to the City Clerk of the City at 3031 Torrance Boulevard, Torrance, California, 90503, or at such other address or to such other person(s) as the City may from time to time designate in writing.

B. Notices to Lessee. All notices given by the City to Lessee hereunder shall be in writing and delivered to Lessee at:

2601 Airport Drive
Suite 300
Torrance, California 90505

or at such other address as Lessee may from time to time designate in writing. All notices to Lessee shall also be delivered to any Approved Leasehold Mortgagee entitled to notice pursuant to Paragraph 21.C(1) above.

C. Effectiveness.

Any such notice shall be given by depositing the same in the United States Post Office, properly addressed as aforesaid, postage fully prepaid, for delivery by certified mail. Any notice given hereunder by certified mail shall be deemed, as between the City and Lessee, and as between City and any Approved Leasehold mortgagee, to have been fully given and delivered for all purposes on the third business day after the same is deposited in the United States Post Office for delivery as aforesaid.

27. AMENDMENTS AND MODIFICATIONS

This Lease shall not be amended or modified in any way, and no purported amendment or modification shall be effective, unless same has been (i) approved by the City Council and set forth in a written instrument, expressly purporting to amend this Lease, executed by the City Manager or his designee or the Mayor for the City; (ii) executed by Lessee; and (iii) approved in writing by any Approved Leasehold Mortgagee.

28. APPROVALS BY CITY; GOVERNMENTAL FUNCTIONS

No consent, approval or satisfaction of the City provided for hereunder, and no waiver by the City of any provisions hereof, shall be effective unless given in writing specifically referring to this Lease and executed by the City Manager or his designee or the Mayor for the City; no such consent, approval, satisfaction or waiver under or with respect to this Lease shall be inferred or implied from any other act or omission of the City or any agent or employee thereof. Similarly, unless otherwise expressly provided therein, no approval, consent or other action taken by the City under or pursuant to this Lease shall be deemed to waive any other rights or authority of the City in any capacity other than as the lessor under this Lease. Similarly, nothing contained in this Lease shall in any way restrict or diminish the rights, powers or jurisdiction of the City, its City Council, Planning Commission and other agencies with respect to the governance of the Leased Premises and all buildings, improvements, businesses and activities located on or conducted thereon, including but not limited to the City's power to regulate parking and parking requirements on the Leased Premises, both pursuant to the conditions of CUP 83-33 and otherwise.

29. CONDEMNATION

A. Award.

In the event that all or any part of the Leased Premises or any buildings or improvements thereon shall, during the term of this Lease, be taken or damaged by eminent domain, the total consideration paid in connection with such taking and damage (including both amounts paid for property taken and severance or other damage to the portion of the Leased Premises not taken) shall be paid and applied in the following order of priority:

(1) First, to reimburse, pro rata, the City, the Lessee and the Approved Leasehold Mortgagee for the reasonable costs, fees and expenses incurred by each in connection with the collection of such award.

(2) Second, but only if such taking does not result in the termination of this Lease as further provided in this Section, all remaining proceeds, if any, shall be paid to a trustee, reasonably acceptable to both the City and Lessee who shall disburse the funds for construction purposes as construction progresses to repair any and all damage to the Leased Premises or the buildings or improvements located thereon resulting from such taking, with such safeguards as said trustee may deem to be desirable to assure that workmen and materialmen are paid and that no mechanic's liens may be recorded. If an Approved Leasehold Mortgagee, as defined in Paragraph 21 of this Lease, agrees to disburse such proceeds for restoration as aforesaid, such Approved Leasehold Mortgagee shall be acceptable to the City as the trustee for purposes of this provision. If more than one Approved Leasehold Mortgagee desires to serve as the trustee, the Approved Leasehold Mortgagee whose Approved Leasehold Mortgage has the higher priority shall be entitled to serve as the trustee.

(3) Third, any excess proceeds held by the Trustee following completion of the restoration and repair described in subparagraph (2) above, or in the event this Lease is terminated pursuant to the provisions of this Section so that no reconstruction or repair is to be undertaken, the balance of such proceeds, if any, shall be distributed in accordance with the following procedures:

(a) First, the values of the interests of City, Lessee and any Approved Leasehold Mortgagee shall be ascertained. City's value shall consist of the fair market value of City's rights to receive all rental payments and non-monetary benefits under the Lease and the value of City's reversionary interest in the land of the Leased Premises and the improvements thereon ("City's Value"). Lessee's value shall consist of the fair market value of Lessee's leasehold interest, which is comprised of Lessee's rights to retain possession of the Leased Premises for the term of the Lease and income and other benefits in accordance with the terms of the Lease, subject to Lessee's obligations to pay rent and perform all other duties and obligations of Lessee under the Lease, and less "Lender's Value" (as hereinafter defined) ("Lessee's Value"). City's Value and Lessee's Value shall be established by the parties as a part of any litigation in connection with such taking. In the event that there is no such litigation and/or the parties cannot otherwise agree upon such values, the fair market values shall be determined by the appraisal procedures set forth in Paragraph 30, below. Lender's value shall consist of the total of the then outstanding principal balance plus any accrued interest owed by Lessee to the Approved Leasehold Mortgagee secured by the Approved Leasehold Mortgage ("Lender's Value").

(b) Second, the balance of the condemnation proceeds being held by the Trustee pursuant to subparagraph (3), above ("Distributable Proceeds"), shall be paid and applied, concurrently as follows:

(i) in the event that the Distributable Proceeds are equal to or less than the sum of City's Value and Lender's Value, to Approved Leasehold Mortgagee in an amount corresponding to the percentage of the Distributable Proceeds that the percentage the Lender's Value comprises of the sum of the City's Value and Lender's Value, and to City in an amount corresponding to the percentage of the Distributable Proceeds that the percentage the City's Value comprises of the sum of City's Value and Lender's Value, but in no event shall Lender receive Distributable Proceeds in excess of the amount of Lender's Value;

(ii) in the event that the Distributable Proceeds exceed the sum of Lender's Value and City's Value, but the excess thereof is less than Lessee's Value, to Approved Leasehold Mortgagee in the amount of Lender's Value, to City in the amount of City's Value, and the remainder to Lessee;

(iii) in the event that the Distributable Proceeds are equal to or exceed the sum of Lender's Value, City's Value and Lessee's Value, to Approved Leasehold Mortgagee in the amount of Lender's Value, with any remaining Distributable Proceeds to City in an amount corresponding to the percentage of the remaining Distributable Proceeds that the percentage the City's Value comprises of the sum of City's Value and Lessee's Value, and to Lessee in an amount corresponding to the percentage of the remaining Distributable Proceeds that the percentage the Lessee's Value comprises of the sum of City's Value and Lessee's Value.

(c) In the event that there exists more than one Approved Leasehold Mortgagee, then any Distributable Proceeds distributable to the Approved Leasehold Mortgagees shall be distributed first to the Approved Leasehold Mortgagee whose Approved Leasehold Mortgage has the highest priority until such Approved Leasehold Mortgagee has received the Lender's Value attributable to its Approved Leasehold Mortgage, and any remaining Approved Leasehold Mortgagee shall take from the remaining Distributable Proceeds distributable to Approved Leasehold Mortgagees, if any. In no event shall any Approved Leasehold Mortgagee receive condemnation proceeds in excess of the Lender's Value attributable to its Approved Leasehold Mortgage.

(4) If any of Lessee's trade fixtures or any of Lessee's other personal property shall be so taken, and if a separate and distinct award is made in connection therewith, such separate and distinct award (including amounts paid for trade fixtures and personal property taken and severance or other damages to such of Lessee's trade fixtures and other personal property as shall not be taken) shall belong solely to Lessee. Lessee's right to such award shall, however, not diminish or detract in any way from any award or amount due to the City.

B. Settlement of Claims.

Neither Lessee, any Approved Leasehold Mortgagee nor the City shall settle or adjust any claim for damages resulting from a taking of the Leased Premises or any buildings or improvements thereon without the others' prior written consent.

C. Reconstruction and Repairs.

If such taking does not result in the termination of this Lease as further provided in this Section, Lessee, whether or not the portion of any award on account of such be

sufficient for such purposes, shall at its sole cost and expense, promptly commence and diligently complete the restoration of the Leased Premises and all buildings, structures and improvements located thereon as nearly as possible to their value, condition and character immediately prior to such taking, except only for any reduction in any areas caused or necessitated by such taking; provided, however, that if the total cost to restore the Leased Premises and all buildings, structures and improvements located thereon remaining after said taking is reasonably estimated to exceed the portion of any award made available to Lessee for that purpose by fifteen percent (15%) or more of the fair market value of the Leased Premises and all such buildings, structures and other improvements located thereon upon completion of such restoration, Lessee may elect to demolish those buildings, structures or improvements designated by the City as requiring demolition, restore the Leased Premises to a neat, clean, and level condition to the reasonable satisfaction of the City and terminate this Lease by notifying the City in writing of its intent to do so within sixty (60) days of the event causing such damage or destruction. In the event the parties cannot agree upon the fair market value of the Leased Premises and all buildings, structures and improvements located thereon upon completion of such restoration, the same shall be determined by the appraisal procedure set forth in Paragraph 30 below. If Lessee shall elect to cancel this Lease as provided for in this subparagraph C, it shall have no further obligation for rental or other payments hereunder from and after the date that such demolition and restoration are completed, and from and after the date that such demolition and restoration are completed, neither Lessee nor any Leasehold Mortgagee shall have any right, title, interest, lien or encumbrance in, to or upon the Leased Premises or any of the buildings, structures or other improvements located thereon.

D. Lease Termination.

In the event all of the Leased Premises, or so much thereof and/or the buildings and improvements thereon are taken so that the use of the remainder, in the Lessee's reasonable judgment, is economically unfeasible, and Lessee shall have obtained the prior written consent of any Approved Leasehold Mortgagee to terminate this Lease, the term of this Lease shall terminate as of, and the City and Lessee shall be released of all obligations under this Lease arising subsequent to, the date of such taking. If only a part of the Leased Premises are so taken, and this Lease is not terminated as a result thereof, this Lease shall remain in full force and effect as to the portion of the Leased Premises and the buildings, structures and improvements thereon remaining except that the Minimum Basic Rent then applicable shall be reduced in that proportion or percentage which the fair market value of that portion of the land of the Leased Premises so taken, along with any improvements thereon, bears to the total fair market value of the land of the Leased Premises and the improvements thereon immediately preceding such taking. Such total fair market value shall, for the purposes of this subparagraph, be determined in the manner set forth in Subparagraph B of Paragraph 30, below.

30. FAIR MARKET VALUE

A. Fair Market Value Defined.

"Fair market value" shall mean

(1) when applied to the land of the Leased Premises, or any portion thereof, the fair market value of such land, exclusive of the improvements thereon, based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended;

(2) when applied to the buildings, structures and improvements located on the Leased Premises, or any portion thereof, the fair market value of such buildings, structures and improvements, exclusive of the land of the Leased Premises, based upon the uses of such buildings, structures and improvements permitted under this Lease, as the same may from time to time be amended;

(3) when applied to the entire Leased Premises, or any portion thereof, and all buildings, structures and improvements located thereon, the fair market value of such land and improvements in the aggregate based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended;

(4) when applied to the Lessee's leasehold interest under this Lease together with Lessee's interest in all buildings, structures and improvements located on the Leased Premises, the fair market value of such leasehold estate and improvements in the aggregate based upon the uses of the Leased Premises and such buildings, structures and improvements permitted under this Lease, as the same may from time to time be amended; and

(5) when applied to the City's interest under this Lease together with the City's interest in the land of the Leased Premises and all buildings, structures and improvements located on the Leased Premises, the fair market value of such interests in the aggregate based upon the uses of the Leased Premises permitted under this Lease, as the same may from time to time be amended.

B. Failure to Agree.

If the parties cannot agree on the fair market value within thirty (30) days of the date that such fair market

value determination becomes necessary under any of the provision of this Lease, then such fair market value shall be determined by appraisal in accordance with subparagraph C of this Paragraph 30

C. Appraisal.

(1) If appraisal is required to fix the Fair Market Value, such appraisal shall be conducted in the following manner: Within ten (10) days following the expiration of the thirty (30)-day period during which the parties have been unable to reach agreement on the Fair Market Value, the City shall appoint an appraiser and give written notice thereof to Lessee, and within ten (10) days after the service of such notice, Lessee shall in like manner appoint an appraiser and give written notice thereof to the City, or in case of the failure of either party hereto so to do, the other party shall have the right to apply to the Superior Court of Los Angeles County, California, to appoint an appraiser to represent the party who has failed to make such appointment. The party failing to make such appointment shall, immediately upon demand, pay to the party making such application, all costs and expenses, including reasonable attorneys' fees, incurred by such party in obtaining such court appointment. The two appraisers thus appointed (in either manner) shall select and appoint in writing a third appraiser and give written notice thereof to the City and Lessee, or if within ten (10) days after the appointment of said second appraiser, the two appraisers shall fail to appoint a third, then either party hereto shall, at its own expense, have the right to make application to said Superior Court to appoint such third appraiser. All such appraisers shall be experienced in real estate valuation matters and shall be both impartial and unrelated to either of the City or the Lessee.

(2) The three appraisers so appointed (in either manner) shall promptly meet and shall with reasonable diligence determine the matter in accordance with the provisions hereof and shall execute and acknowledge their determination in writing and cause a copy thereof to be delivered to each of the parties hereto.

(3) The determination of a majority of said appraisers shall determine the Fair Market Value.

(4) If two of the three appraisers first appointed as aforesaid shall fail to reach an agreement in the determination of the matter in question, the same shall be decided by three new appraisers, who shall be appointed and shall proceed in the same manner as hereinabove set forth, and said process shall be repeated until a decision is finally reached by two of the three appraisers selected.

(5) Each of the parties hereto shall pay for the services of its appointee and one-half (1/2) of the fee charged by the appraiser selected by their appointees and of all other proper costs, with the exception of attorneys' fees which shall be borne solely by the party incurring such fees.

31. JUDICIAL REFERENCE

In the event that a dispute arises between the parties in instances under this Lease which call for judicial reference, the City and Lessee agree to refer the dispute to judicial reference in accordance with the provisions of Section 668 et seq. of the California Code of Civil Procedure. The parties shall agree upon a single referee who shall then try all issues whether of fact or law, and report a finding in and a judgment thereon. If the parties are unable to agree upon a referee, either party may seek to have one appointed, pursuant to California Code of Civil Procedure Section 640. The cost of such pro-

ceeding shall initially be borne equally by the parties. However, the prevailing party in such proceeding, or in any litigation between the parties, shall be entitled, in addition to all other costs, to recover its contribution for the cost of the reference as an item of damage or recoverable costs.

32. ATTORNEY'S FEES

Subject to the provisions of Paragraphs 30 and 31 herein, Lessee agrees to pay all of Lessor's attorney's fees, including the fees of Lessor's outside counsel, incurred in connection with any request by Lessee for Lessor's review and/or approval of any document or instrument pursuant to the terms of this Lease, such documents or instruments including but not limited to: Lender's estoppel certificates; approvals of assignments or subleases; approvals of modifications or amendments to the Lease; and non-disturbance and attornment agreement.

33. GENERAL PROVISIONS

A. Remedies Cumulative.

No remedy or election provided by any provisions in this Lease shall be deemed exclusive unless so indicated, but shall whenever possible be cumulative with all other remedies in law or equity except as otherwise herein specifically provided.

B. Provisions as Covenants.

Each provision hereof shall be deemed both a covenant and condition and all of the conditions and covenants contained herein shall be covenants running with the land and shall be construed as such.

C. Time.

Time is of the essence of this Lease.

D. Headings.

The paragraph headings in this Lease contained are for convenience and reference only, and are not intended to and shall not define, govern, limit, modify or in any manner affect the scope, meaning, or intent of any provision in this Lease contained.

E. Successors in Interest.

Except as otherwise herein provided, each and every of the terms, covenants and conditions of this Lease shall inure to the benefit of and shall bind, as the case may be, not only the parties hereto but each and every of the heirs, executors, administrators, successors, assigns and legal representatives of the parties hereto.

F. Waivers.

The waiver by either Lessee or the City of any breach of any of the covenants, agreements, obligations, conditions or provisions of this Lease shall not be construed to be a waiver of such covenant, agreement, obligation, condition, term or provision upon any subsequent breach of the same or of any other covenant, agreement, obligation, condition, term or provision herein contained.

G. Gender and Number.

In this Lease, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the neuter gender includes the masculine and/or feminine, and the singular number includes the plural and the plural includes the singular.

H. Memorandum of Lease.

Neither party will suffer or permit all or any part of this Lease or a copy thereof to be recorded; provided, however, that Lessee shall, at Lessee's expense, including the

expense of any documentary transfer tax, record a memorandum of this Lease executed by both parties.

I. No Brokers.

Lessee covenants and agrees that no commission or fees are due and owing to any person or entity by reason of the execution of this Lease or the payment of rent hereunder, and Lessee shall indemnify and hold the City harmless from and against any demand, liability, claim or obligation for any such fees or commissions from any person or entity claiming to have.

J. Good Faith and Reasonability.

In the event any provision under this Lease shall require or anticipate that either party hereto make a judgment, give consent or approval, or exercise discretion, that party agrees to do so reasonably and in good faith, with due diligence, communicated to the other party in writing except in those instances where a Lease provision specifically sets forth a different standard of approval, in which case the specific standard of that Lease provision shall govern.

K. Governing Law.

This Agreement is made under and shall be construed pursuant to the laws of the State of California. Any suit hereon or hereunder shall be brought only in a state or federal

court sitting in the City of Los Angeles, State of California,
and all parties hereto hereby agree that venue shall lie therein.

IN WITNESS WHEREOF, the parties hereto have executed
this Lease the date and year first above written.

"CITY"

CITY OF TORRANCE,
a municipal corporation,

By: Katy Seussert
Mayor

"LESSEE"

ROLLING HILLS PLAZA SHOPPING
CENTER, a California limited
partnership

By: Norman R. La Caze
Partner

ATTEST:

Rosa Hong, Deputy
City Clerk

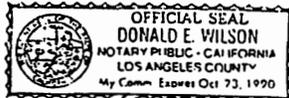
APPROVED AS TO FORM:

Stanley E. Remelmeier
STANLEY E. REMELMEYER
City Attorney

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

On this 21st day of October, 1987,
before me, Donald E. Wilson, a Notary Public in and for
said County and State, personally appeared Katy Heissert
and Dora Long, proved to me on the basis of satisfactory
evidence to be the persons who executed this instrument as Mayor
and City Clerk, respectively, of the City of Torrance, the
municipal corporation therein named, and acknowledged to me that
the City of Torrance executed the same.

WITNESS my hand and official seal.



Donald E. Wilson
Notary Public in and for said
County and State

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

On this 20TH day of OCTOBER, 1987,
before me, JANE HASSELBACH, a Notary Public in and for
said County and State, personally appeared NORMAN R. LA CAZE,
proved to me on the basis of satisfactory evidence to be the
person whose name is subscribed to this instrument, and acknowl-
edged to me that he executed the same as general partner of the
partnership that executed this instrument and acknowledged to me
that such partnership executed the same.

WITNESS my hand and official seal.



Jane Hasselbach
Notary Public in and for said
County and State

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of said County, more particularly described as follows:

Beginning at a point in the Northerly line of Pacific Coast Highway, 100.00 feet wide, as described in the deed to the State of California, recorded in Book 12743, Page 23 of Official Records in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as Parcel "D" under Parcels 8-40, 9-2, in complaint in case no. 572730 of the Superior Court of said County, said point being the True Point of Beginning; thence along said Northerly line South $48^{\circ}45'20''$ East 210.00 feet; thence North $41^{\circ}14'40''$ East 209.00 feet; thence North $48^{\circ}45'20''$ West 188.68 feet to the Southeasterly line of Crenshaw Boulevard 100.00 feet wide, said strip of land described as Parcel "A" under said Parcels 8-40, 9-2 in complaint in Case No. 572730 of the Superior Court of said County; thence along said Southeasterly line South $52^{\circ}25'41''$ West 193.04 feet; thence South $01^{\circ}50'10''$ West 25.39 feet to the True Point of Beginning. Contains 1.00+/- Acres.

Excepting therefrom that portion along Pacific Coast Highway and adjacent thereto to Parcel 1 more particularly described as follows:

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map filed in Book 170, Pages 10 to 12 inclusive, of Maps, in the Office of the County Recorder of said County, being described as follows:

Beginning at a point in the Northeasterly line of Pacific Coast Highway, 100.00 feet wide, as described in deed to the State of California, recorded in Book 12743, Page 23 of Official Records, in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as parcel "D" under parcels 8-40, 9-2, in complaint in Case No. 572730 of the Superior Court of said County; thence along said Northeasterly line, South $48^{\circ}45'20''$ East, 470.93 feet; thence North $45^{\circ}36'26''$ West, 59.01 feet to a point of tangency with a curve concave Southwesterly and having a radius of 1828.00 feet; thence Northwesterly along said curve, through a central angle of $3^{\circ}08'54''$, an arc distance of 100.45 feet to a point of tangency with a line bearing South $48^{\circ}45'20''$ East; thence North $48^{\circ}45'20''$ West, 300.00 feet to a point of tangency with a curve concave Easterly and having a radius of 25.00 feet; thence Northwesterly, Northerly and Northeasterly along said curve, through a central angle of $101^{\circ}11'01''$, an arc distance of 44.15 feet to a point of tangency with a line bearing North $52^{\circ}25'41''$ East, said line being the Southeasterly line of that parcel of land described as Parcel "A" under said Parcels 8-40, 9-2, said line being now recognized and accepted as the Southeasterly line of Crenshaw Boulevard (100.00 feet wide); thence South $52^{\circ}25'41''$ West, along said Southeasterly line, a distance of 16.55 feet; thence South $1^{\circ}50'10''$ West, 25.39 feet to the point of beginning, containing therein 0.059+/- Acres.

EXHIBIT "A"
I.D. #671
October 19, 1987

PARCEL 2

That portion of Lot 1, Tract No. 9765, in the City of Torrance, County of Los Angeles, State of California, as per map recorded in Book 170, Pages 10, 11 and 12 of Maps, in the office of the County Recorder of said County, more particularly described as follows:

Beginning at a point in the Northerly line of Pacific Coast Highway, 100.00 feet wide, as described in the deed to the State of California, recorded in Book 12743, Page 23 of Official Records in the office of the County Recorder of said County, said point being the most Southerly corner of the land described as Parcel "D" under Parcels 8-40, 9-2, in complaint in case no. 572730 of the Superior Court of said County; thence along said Northerly line South $48^{\circ}45'20''$ East 545.00 feet to the True Point of Beginning; thence North $41^{\circ}14'40''$ East 700.00 feet; thence North $48^{\circ}45'20''$ West 125.00 feet; thence South $41^{\circ}14'40''$ West 74.00 feet; thence North $48^{\circ}45'20''$ West 263.58 feet; thence South $52^{\circ}25'41''$ West 138.64 feet; thence South $48^{\circ}45'20''$ East 85.69 feet; thence South $41^{\circ}16'35''$ West 90.44 feet; thence North $48^{\circ}45'20''$ West 156.18 feet to a point in the Southeasterly line of Crenshaw Boulevard, 100.00 feet wide, said strip of land described as Parcel "A" under said Parcels 8-40, 9-2, in complaint in Case No. 572730 of the Superior Court of said County; thence along said Southeasterly line North $52^{\circ}25'41''$ East 932.23 feet; thence south $37^{\circ}34'19''$ East 246.00 feet; thence North $52^{\circ}25'41''$ East 286.66 feet to a point in the Easterly line of said Lot 1; thence along said Easterly line South $00^{\circ}11'20''$ West 1671.69 feet to the Northerly line of Pacific Coast Highway; thence along said Northerly line North $89^{\circ}48'35''$ West 26.53 feet to the beginning of a tangent curve concave Northerly; thence Westerly along said curve, having a radius of 1096.28 feet, through a central angle of $41^{\circ}03'15''$, a length of 785.52 feet; thence North $48^{\circ}45'20''$ West 349.67 feet to the True Point of Beginning. Contains 27.50+/- Acres.

EXHIBIT "A"
I.D. #671
October 19, 1987

Sheet 2 of 2

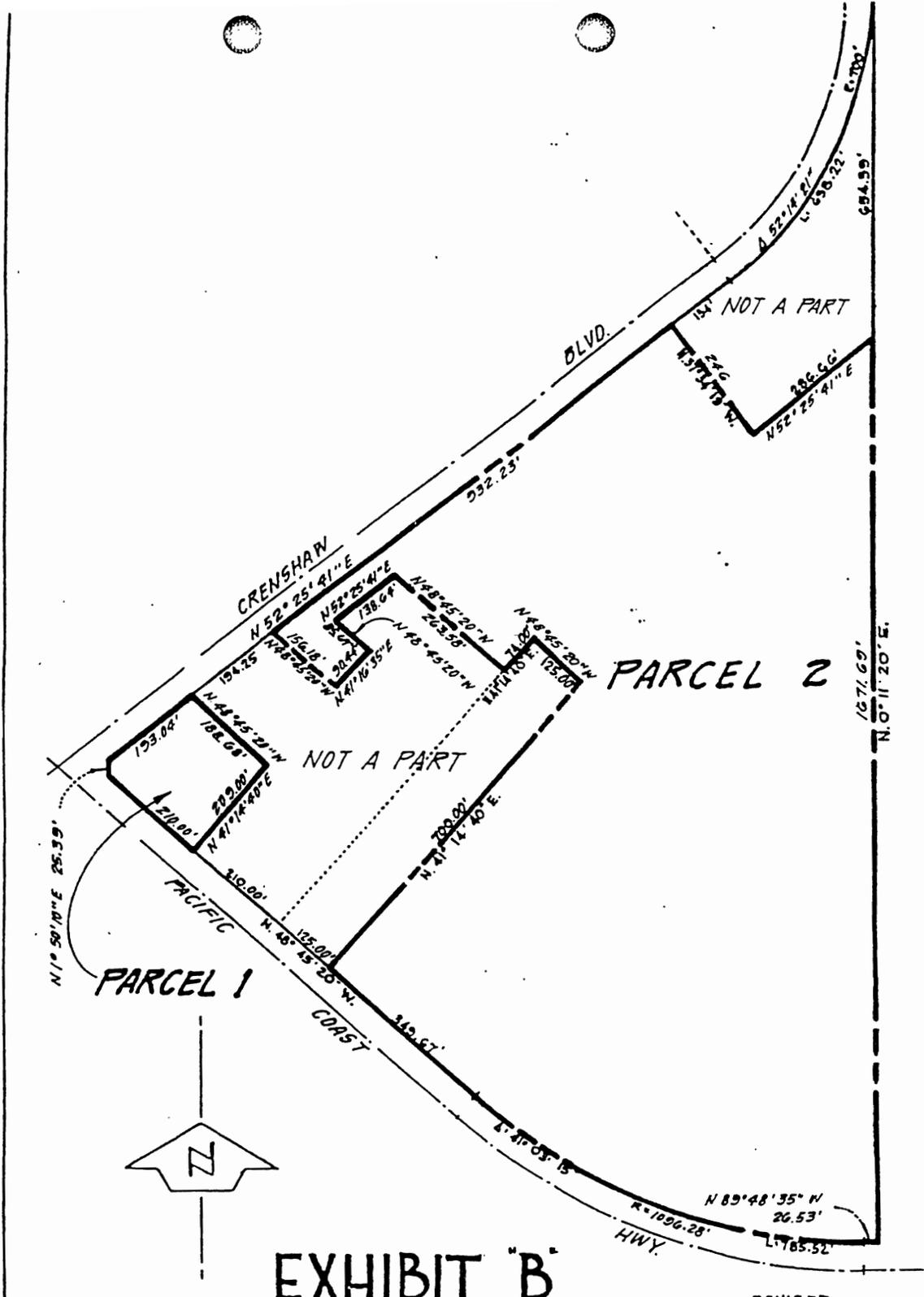


EXHIBIT B

REVISED

IDENTIFICATION No	672
NAME	ROLLING HILLS / SHOPPING CENT
DATE	10-19-87

FEDERAL AVIATION ADMINISTRATION PROVISIONS

Lessee agrees to observe the following provisions required by the Federal Aviation Administration:

(a) Lessee in the operations to be conducted pursuant to the provisions of this lease and otherwise in the use of the airport, will not discriminate or permit discrimination against any person or class of persons by reason of race, color, creed or national origin in any manner prohibited by Part 15 of the Federal Aviation Regulations or any amendments thereto.

(b) Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service: PROVIDED, THAT the Lessee may be allowed to make reasonable and non-discriminatory discounts, rebates, or other similar type of price reductions to volume purchasers.

(c) Lessee shall make its accommodations and/or services available to the public on fair and reasonable terms without unjust discrimination on the basis of race, creed, color or national origin.

(d) Non-compliance with provisions (a), (b) and (c) above shall constitute a material breach thereof and in the event of such non-compliance the City shall have the right to terminate this lease of the estate hereby created without liability therefor or at the election of the City or the United States, either or both said Governments shall have the right to judicially enforce said provisions (a), (b) and (c).

(e) Lessee agrees that it shall insert the above four provisions in any lease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein leased.

(f) The City reserves the right to further develop or improve the landing area of the airport as it sees fit, regardless of the desires or view of the Lessee, and without interference or hindrance.

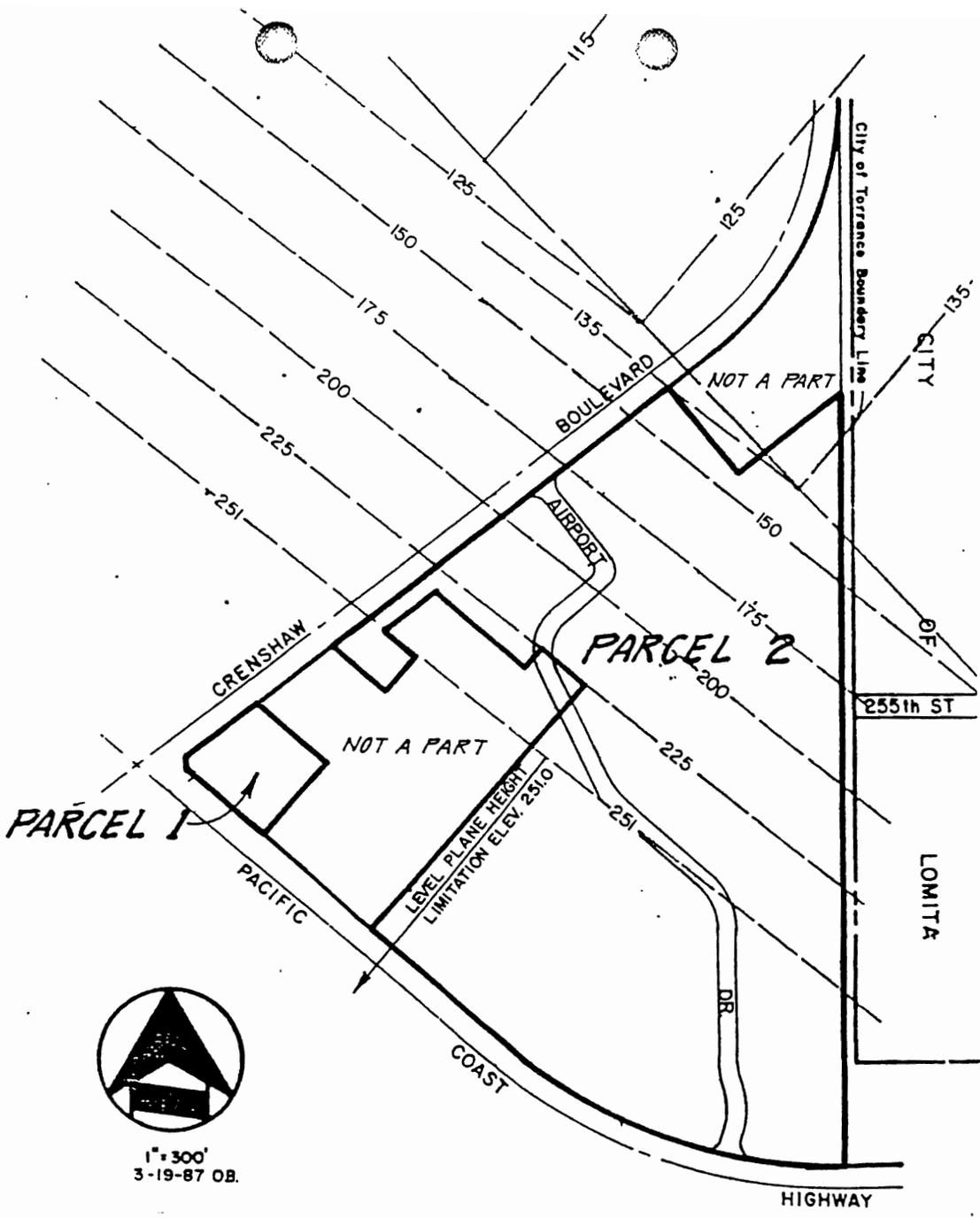
(g) The City reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the airport and all publicly-owned facilities of the airport, together with the right to direct and control all activities of the lessee in this regard.

(h) This lease shall be subordinate to the provisions and requirements of any existing or future agreement between the City and the United States, relative to the development, operation or maintenance of the airport.

(i) Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event any future structure or building is planned for the leased premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the leased premises.

(j) It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act.

(k) This lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said airport or the exclusive or non-exclusive use of the airport by the United States during the time of war or national emergency.



1" = 300'
3-19-87 OB.

NOTE:
ALL ELEVATIONS ARE BASED
ON THE U.S. COAST AND GEODETIC
SURVEY SEA LEVEL DATUM OF 1929

IDENTIFICATION NO.	669
NAME	HEIGHT LIMITS FOR ROLLING HILLS PLAZA SHOPPING CENTER
DATE	10-19-87
EXHIBIT	"D"

AMENDMENT NO. 1 TO LEASE

This AMENDMENT NO. 1 TO LEASE is entered into as of this 28th day of August, 1990, by and between the CITY OF TORRANCE, a municipal corporation, as "Lessor" (hereinafter referred to as the "City") and ROLLING HILLS, PLAZA SHOPPING CENTER, a California limited partnership, as "Lessee" (hereinafter referred to as "Lessee").

R E C I T A L S :

A. City and Lessee entered into a written Lease dated October 21, 1987 (the "Lease") for the lease of certain premises (the "Leased Premises"). The Leased Premises are more particularly described in Exhibit "A", attached hereto and made a part hereof.

B. City and Lessee desire by this Agreement to amend the Lease as hereinafter provided.

T E R M S :

IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS HEREIN CONTAINED, THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Subparagraph 5.B.(9) of the Lease is hereby amended by deleting in the eighth (8th) line of the first (1st) partial paragraph at page 17 the words "into only the rentals payable by the sublease to Lessee shall be" and substituting in lieu thereof the words "into only the rentals payable by the sublessee to Lessee shall be".

2. Section 8.B. of the Lease is hereby amended by deleting said Subparagraph in its entirety and by substituting in its place the following:

"Norman R. La Caze and Carole J. La Caze, Trustees of the La Caze Family Trust, warrant to the City that each, acting as Trustee, has full right, legal capacity and authority pursuant to the Agreement of Partnership of La Caze Partnership, a California Limited Partnership, to enter into and execute

C-53

Triplicate Original

agreements and documents as the General Partner of La Caze Partnership, a California Limited Partnership, and that La Caze Partnership, a California Limited Partnership, the sole General Partners of the Partnership formed pursuant to the Agreement of Partnership of Rolling Hills Plaza Shopping Center, a California Limited Partnership, has full right, legal capacity and authority pursuant to the Agreement of Partnership of Rolling Hills Plaza Shopping Center, a California Limited Partnership, to enter into the obligations of Lessee under this Lease, and that no approval or consent is necessary in connection with the execution by Norman R. La Caze, Trustee, and Carole J. La Caze, Trustee of this Amendment No. 1 to Lease, on behalf of La Caze Partnership, a California Limited Partnership, acting as sole General Partner of Lessee, or the performance of Lessee's obligations hereunder; and that a true and correct copy of Lessee's Certificate of Limited Partnership Form LP-1, as filed for record with the Secretary of State of the State of California, and of La Caze Partnership, a California Limited Partnership, also filed for record with the Secretary of State of the State of California, has been delivered to the City.

3. Subparagraph 13.C. of the Lease is hereby amended by deleting in line 13 of the first (1st) partial paragraph at page 44 the words "further, that no holes or apperatures, or unpainted or otherwise" and substituting in lieu thereof the words "further, that no holes or apertures, or unpainted or otherwise".

4. Subparagraph 13.F. of the Lease is hereby amended by adding the following:

"Notwithstanding the foregoing, the right of City to require Lessee to remove any or all buildings, structures and/or other improvements and restore the Leased Premises upon the expiration of the Lease shall not apply to any Lessee who was formerly an Approved Leasehold Mortgagee who acquired its leasehold interest by foreclosure, deed in lieu of foreclosure or assignment in lieu of foreclosure of an Approved Leasehold Mortgage on the Premises."

5. Subparagraph 18.B.(1) of the Lease is hereby amended by deleting, from the top of Page 54, the language "Lessee may provide for any Approved Leasehold Mortgagee to be named as an additional insured on said policy".

6. Subparagraph 18.E. of the Lease is hereby amended by adding the following:

"Lessee shall provide any Approved Leasehold Mortgagee with an original or certified copies of all insurance policies required herein and all amendments thereto."

7. Subparagraph 19.B.(1) of the Lease is hereby amended by adding the following:

"Notwithstanding the foregoing, in the event that Lessee was formerly an Approved Leasehold Mortgagee who acquired its leasehold interest by foreclosure, deed in lieu of foreclosure or assignment in lieu of foreclosure of an Approved Leasehold Mortgage, such Lessee's obligation to repair and restore any buildings under this Section shall not exceed the insurance proceeds available for such repair or restoration."

8. Subparagraph 19.C.(3) of the Lease is hereby amended by adding the following:

"Notwithstanding anything to the contrary contained herein, Lessee shall not have the right to terminate this Lease under this Paragraph 19 without first obtaining the prior written approval of all Approved Leasehold Mortgagees."

9. Subparagraph 20.A.(1)(b) of the Lease is hereby amended by deleting in line 13 of said Subparagraph the words "penthouses; or" and substituting in lieu thereof the word "penthouses."

10. Subparagraph 20.A.(1)(c) of the Lease is hereby amended by deleting said Subparagraph in its entirety.

11. Subparagraph 20.E. of the Lease is hereby amended by adding the following:

"City agrees to provide a Non-Disturbance and Attornment Agreement to any Sublessee requesting same."

12. Subparagraph 21.A.(4) of the Lease is hereby amended in its entirety as follows:

"The term "Approved Leasehold Mortgagee" shall mean a foreign or domestic savings and loan association, a savings bank, a trust company, an insurance company, a religious, charitable or educational institution, a state, municipal or private employees' welfare, pension or retirement fund or system, investment banking firm or other financial institution which is a Leasehold Mortgagee under or pursuant to a Leasehold Mortgage, provided that such entity has total assets of at least Two Hundred Million Dollars (\$200,000,000.00), and further provided that such entity (i) is not connected with or controlled by criminal elements; (ii) has not been convicted of past criminal violations; and (iii) does not have a generally known reputation for either or both of (i) or (ii) above. The purpose of the foregoing proviso is to protect the City from embarrassment, and it is hereby agreed that the burden of proof shall be on the City to prove that such entity is connected with or controlled by criminal elements, or has been convicted of past criminal violations, or does have a generally known reputation for either or both of same.

13. Subparagraph 21.B. of this Lease is hereby amended by deleting the first sentence of this Section in its entirety and substituting in lieu thereof the following:

"During the term of this Lease, Lessee may (i) assign for security purposes only and may encumber Lessee's interest under this Lease and any Subleases in the leasehold estate created hereby and pursuant to an Approved Leasehold Mortgage in favor of an Approved Leasehold Mortgagee, (ii) mortgage its interests during the term of this Lease in the buildings, structures and improvements located on the Premises in favor of an Approved Leasehold Mortgagee and (iii) in that connection perform any and all acts and execute any and all instruments necessary or proper to consummate the loan transaction and perfect the security therefor."

14. Subparagraph 21.C.(2)(a) of this Lease is hereby amended in its entirety so as to provide as follows:

"(a) The City shall not terminate this Lease because of any default by Lessee without first providing written notice (in the manner set forth in Subparagraph C(1), above) to any Approved Leasehold Mortgagee and if, within twenty-five (25) days after the expiration of Lessee's cure period provided for in Subparagraph 22.A.(1) below in the case of a default which can be cured by the payment or expenditure of money, or within thirty (30) days after the expiration of any applicable Lessee's cure period provided for in Subparagraph 22.A.(3) below in the case of a default which cannot be cured by the payment or expenditure of money, or within sixty (60) days after its receipt of such notice from the City in the case of a default under Subparagraph 22.A.(2) or 22.A.(4) below, any such Approved Leasehold Mortgagee shall at its election either:

(1) Cure such default within such twenty-five (25) day period after the expiration of Lessee's cure period provided for in Subparagraph 22.A.(1) below if the default can be cured by the payment or expenditure of money or, if the default cannot be cured by the payment or expenditure of money but otherwise can be cured without taking possession, commence to cure the default within such thirty (30) day period after the expiration of any applicable Lessee's cure period provided for in Subparagraph 22.A.(3) below and thereafter diligently proceed to complete the cure; or

(2)(i) Institute a trustee sale or judicial foreclosure proceedings under its Approved Leasehold Mortgage and thereafter diligently proceed to complete such proceedings; (ii) cure such default within said twenty-five (25) day period after the expiration of Lessee's cure period provided for in Subparagraph 22.A.(1) below if the default can be cured by payment or expenditure of money or, if the default cannot be cured by the payment or expenditure of money but otherwise can be cured without the Approved Leasehold Mortgagee obtaining possession of the Leased Premises, commence to cure the default within such thirty (30) day period after the expiration of any applicable Lessee's cure period in Subparagraph 22.A.(3) below and thereafter diligently proceed to complete the cure; (iii) comply with

all the terms and conditions of this Lease requiring payment or expenditure of money by Lessee or which can otherwise be complied with without possession of the Leased Premises (including but not limited to Paragraph 10 of this Lease) until such time (the "Foreclosure Date") as this Lease has been sold by trustee's sale, judicial foreclosure or transfer in lieu of foreclosure under the Approved Leasehold Mortgage; and (iv) commence to cure all non-monetary defaults which cannot be cured without possession of the Leased Premises within thirty (30) days following the Foreclosure Date and thereafter diligently proceed to complete the cure thereof; provided, however, that any non-curable default by Lessee (such as an unauthorized assignment, Lessee's abandonment or vacation of the Leased Premises, bankruptcy or other matter personal to the Lessee) shall be deemed waived by the City but only as to an Approved Leasehold Mortgagee so long as such Approved Leasehold Mortgagee otherwise complies with all provisions of this Subparagraph (a)."

15. Subparagraph 21.C.(3) of this Lease is hereby amended by deleting in the eighth (8th) line of said Subparagraph the words "provisions of subsection C(2)(b)(ii) and (iii) hereof, and" and inserting in lieu thereof the words "provisions of subsection C(2)(a)(2)(ii) and (iii) hereof, and".

16. Subparagraph 21.C.(5) of this Lease is hereby amended by adding in the ninth (9th) line of the first (1st) partial paragraph on page 80 after the words "or such new Lease" the words "and only to the extent of the Approved Leasehold Mortgagee's interest in the Lease".

17. Subparagraph 21.C.(6)(b) of this Lease is hereby amended by adding thereto the following:

"Notwithstanding anything to the contrary contained in this Subparagraph 21.C.(6)(b), if the leasehold estate under this Lease is acquired by an Approved Leasehold Mortgage or its designee or nominee, through foreclosure, deed or assignment in lieu of foreclosure, or otherwise, the City will not withhold its consent to a subsequent transfer of this Lease by such Approved Leasehold Mortgagee or its designee or nominee to a third party if the proposed transferee: (i) has a net worth as of the date of the transfer (calculated in accordance with

general accepted accounting principles and measured in 1990 dollars) of at least Five Million and No/100 Dollars (\$5,000,000.00); (ii) has a proven history of successful and confident management of comparable shopping centers for at least five (5) consecutive years, or provides evidence reasonably satisfactory to the City that the proposed transferee will enter into a management contract for the Leased Premises with a competent and reputable shopping center manager, reasonably satisfactory to the City, who will actively manage the Leased Premises; (iii) has satisfied the requirements of Subparagraph 20.B of this Lease; and (iv) (a) is not connected with or controlled by criminal elements; (b) has not been convicted of past criminal violations; and (c) does not have a generally known reputation for either or both of (a) or (b) above. The purpose of the foregoing is to protect the City from embarrassment, and it is hereby agreed that the burden of proof shall be on the City to prove that such entity is connected with or controlled by criminal elements, or has been convicted of past criminal violations, or does have a generally known reputation for either or both of same.

18. Subparagraph 22.F. of this Lease is hereby amended by adding the following:

"For the benefit of any Approved Leasehold Mortgagee, City agrees not to accept a voluntary surrender of this Lease at any time while an Approved Leasehold Mortgage shall remain as a lien on the leasehold, without the prior written consent of any and all Approved Leasehold Mortgagees."

19. Subparagraph 29.C. of this Lease is hereby amended by inserting the following immediately prior to the last sentence of said subparagraph:

"Notwithstanding anything to the contrary contained in this Subparagraph 29.C., in the event the Lessee is Teachers or its designee or nominee and the total cost to restore the Leased Premises and all buildings, structures and improvements located thereon remaining after said taking is reasonably estimated to exceed the portion of any award made available to Lessee for that purpose, Lessee may elect to demolish those buildings, structures or improvements designated

by the City as requiring demolition, restore the Leased Premises to a neat, clean, and level condition to the reasonable satisfaction of City and terminate this Lease by notifying City in writing of its intent to do so within sixty (60) days of the event causing such damage or destruction."

20. Paragraph 29 of this Lease is hereby amended by adding the following:

"E. Temporary Taking.

If the temporary use of the whole or any part of the Leased Premises or the improvements thereon shall be taken at any time during the term of this Lease in the exercise of the power of eminent domain by any sovereign, municipality or other authority, or by the avoidance thereof, the term of this Lease shall not be reduced or affected in any way and Lessee shall continue to pay in full all rent and all other sum or sums of money or charges herein reserved and provided to be paid by Lessee, and the entire award for such taking shall be divided as follows:

(1) First: To Lessee that portion of award paid for the use and occupancy of the leased land and improvements during any period prior to the expiration of the term of this Lease.

(2) Second: To City any portion of the award paid for use and occupancy of the leased land and improvements from and after the expiration of the term of this Lease.

That portion of such award which represents physical damage to the leased land or improvements thereon occasioned by such taking shall be used by Lessee for cost and restoration and repair of the buildings, improvements and appurtenances so damaged.

/ /

/ /

F. Taking by City.

Notwithstanding anything to the contrary contained in this Paragraph 29, in the event the City is the governmental entity exercising the power of eminent domain any condemnation proceeds shall be paid and applied first to reimburse any Approved Leasehold Mortgagee in order of priority of its Approved Leasehold Mortgage, next the Lessee, and last to the City.

21. Each and all of the terms, covenants and conditions of this Amendment No. 1 to Lease shall inure to the benefit of and shall bind, as the case may be, not only the parties hereto, but each and every of the heirs, executors, administrators, successors, assigns and legal representatives of the parties hereto.

22. Except as herein modified, the Lease shall remain in full force and effect.

23. This Amendment may be executed in several counterparts each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 to Lease as of the date and year first above written.

"CITY"

CITY OF TORRANCE, a municipal corporation

By: *Lady Gessert*
Mayor

ATTEST:

John A. Braubell
CITY CLERK

APPROVED AS TO FORM
KENNETH L. NELSON
CITY ATTORNEY

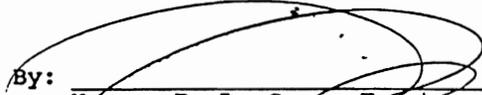
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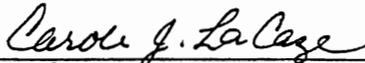
BY: *[Signature]*

"LESSEE"

ROLLING HILLS PLAZA SHOPPING
CENTER, a California limited
partnership

By: La Caze Partnership, a
California Limited Partnership,
Sole General Partner

By: 
Norman R. La Caze, Trustee
of the La Caze Family Trust
"General Partner"

By: 
Carole J. La Caze, Trustee
of the La Caze Family Trust
"General Partner"

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

On this 28th day of August, in the year 1990, before me, the undersigned, a Notary Public in the State of California residing therein, duly commissioned and sworn, personally appeared Katy Geissert and John Bramhall known to me (or proved to me on the basis of satisfactory evidence) to be the persons that executed this instrument as Mayor and City Clerk, respectively, of the City of Torrance, the municipal corporation therein named, and acknowledged to me that the City of Torrance executed the instrument.

In WITNESS WHEREOF, I have set my hand and affixed by official seal the day and year last above written.



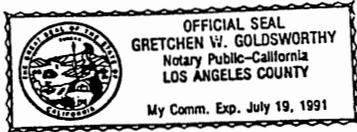
Marilyn Van Oppen
Notary Public in and for the
State of California

[SEAL]

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

On August 28, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared NORMAN R. LA CAZE, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Trustee of the La Caze Family Trust and to be the person whose name is subscribed to the within instrument as General Partner of La Caze Partnership, the partnership that executed the within instrument, and acknowledged to me that he executed the same as such Trustee, and acknowledged to me that such partnership executed the same as general partner of Rolling Hills Plaza Shopping Center, such last named partnership being the partnership which executed the within instrument.

WITNESS my hand and official seal.



Gretchen W. Goldsworthy

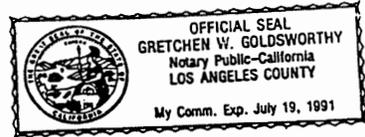
Notary Public

(SEAL)

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

On August 28, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared NORMAN R. LA CAZE, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument as the Attorney in fact of CAROLE J. LA CAZE, Trustee of the La Caze Family Trust and acknowledged to me that he subscribed his own name as her Attorney in fact, and the name of Carole J. La Caze thereto as principal and as Trustee of the La Caze Family Trust, as general partner of La Caze Partnership and acknowledged to me that such partnership executed the same as general partner of Rolling Hills Plaza Shopping Center, such last named partnership being the partnership which executed the within instrument.

WITNESS my hand and official seal.



Gretchen W. Goldsworthy

Notary Public

(SEAL)

SECOND AMENDMENT TO LEASE

This second amendment to lease is made and entered into this 23 day of January, 1998, between the City of Torrance, a Municipal Corporation, hereinafter referred to as CITY, and Rolling Hills Plaza Shopping Center, a California Limited Partnership, hereinafter referred to as LESSEE.

RECITALS

The parties to this lease entered into the lease on October 21, 1987, and the lease was amended once, effective August 1, 1990; and

The parties now wish to further amend this lease.

AGREEMENT

The parties hereby agree as follows:

1) Paragraph 2 is amended to read as follows: "TERM: The term of this lease will be Fifty (50) years, commencing January 1, 1996, and expiring at midnight December 31, 2045."

2) Paragraph 3 is amended to read as follows: "OPTION TO EXTEND

If, at the time LESSEE sells the leasehold, or refinances the leasehold and Norman R. La Caze requests it, CITY will extend the term of this leasehold to a term of Fifty (50) years. This agreement to extend the lease will only be granted one (1) time, and then only if the lease is in full force and effect and all the terms of the lease are being met by LESSEE."

3) Paragraph 4 is amended to read as follows: "MINIMUM BASIC RENT

A. AMOUNT

LESSEE must pay on or before the first day of each month during the term of this lease, the following rent:

1) January 1, 1996 through December 31, 1999 Five percent (5%) of the gross rents, as defined below.

C-053

Duplicate Original

2) January 1, 2000 through December 31, 2004, Seven-and-a-half percent (7.5%) of the gross rents as defined below.

3) January 1, 2005, through the end of the lease, Ten percent (10%) of the gross rents as defined below.”

B. LEASE YEAR

“Lease Year” means a full twelve-month period commencing on January 1 of each year during the term of the Lease.

C. GROSS RENT

The term “Gross Rents”, as used in this Section 4, means all rentals and other payments paid directly or indirectly by sublessees, licensees or concessionaires (but excluding the amounts of rentals not collected due to any default or bankruptcy of any tenant) for the occupancy or use of all or any portion of the Leased Premises, together with (i) the reasonable rental value of any part of the Leased Premises occupied by Lessee or any affiliate of Lessee (as defined in subparagraph (10) below), calculated on a square footage basis in respect to the particular area utilized by Lessee or the affiliate, the rental value to be equal or substantially equal to the rental value of similar space located on the Leased Premises, and (ii) any monies or other things of value received by Lessee or any affiliate of Lessee as consideration for the use or occupancy of any part of the Leased Premises; but the term “Gross Rents” does not include any security deposit received by Lessee from Lessee’s sublessees except to the extent that such security deposit is an advance payment of rent, or any monies or property received by Lessee as consideration for the assignment of Lessee’s (including Lessee’s successors and assigns) interest, in the Leased Premises, except to the extent that the assignor retains the right to receive any fixed rent, percentage rent, credit for premises occupied by Lessee, or monies paid in lieu of or as partial substitution for such rents, payments or credits. The term “Gross Rents” does not include any amounts paid to Lessee by sublessees which represent sublessees’ share of real property taxes, insurance premiums, utilities, maintenance, repairs, and common area charges paid by Lessee to third parties and any management fee or similar charges (not exceeding 4%) paid by sublessees to Lessee in connection with such common area maintenance charges (all such items referred to in this sentence being called the “Passed Through Charges”). In the event the Leased Premises should ever be subleased in whole or in part to any person or entity which does not itself use or occupy such subleased premises, but instead further subleases the same for use or occupancy by others, such occupancy rentals and subrentals

derived from these further subleases will be included in the term "Gross Rents" for the purpose of this Lease, notwithstanding that the occupancy rentals or subrentals are payable to a person or entity other than Lessee; but in the case of a sublease made by Lessee to a non-affiliate of Lessee on an arm's-length basis providing for fair rentals at the time entered into only the rentals payable by the sublessee to Lessee will be included in Gross Rents. The term "sublease" includes subleases, underlettings, concessions, licenses, or other arrangements at any level for the use or occupancy of any portion of the Leased Premises, and the term rental or occupancy rental includes all rent, monies, and other considerations paid for the use or occupancy of the Leased Premises or any part thereof.

4) Paragraph 5, PERCENTAGE RENT is repealed.

5) Subparagraph 21.A.(3) is amended to read as follows:

The term "Approved Leasehold Mortgage" shall mean a Leasehold Mortgage provided that: (1) such Leasehold Mortgage shall be an assignment or encumbrance only of the Lessee's interest under this Lease and the leasehold estate created hereby and shall not convey or be a lien upon the City's freehold estate in the Leased Premises (unless at some future time Lessee acquires such interest from the City) or the City's reversionary interest in all buildings, structures and improvements located on the Leased Premises; (2) there shall not be more than two (2) Approved Leasehold Mortgages encumbering this Lease at any one time. (3) All money obtained from a loan resulting from the Approved Leasehold Mortgage must be used only for improvements, additions or maintenance of the Rolling Hills Plaza Shopping Center, except for those funds used to take out previous loans, and to pay the attendant administrative fees and costs.

6) Subparagraph 21.A.(4) of the Lease is hereby amended in its entirety as follows:

The term "Approved Leasehold Mortgagee" shall mean a foreign or domestic savings and loan association, a finance company, a savings bank, a trust company, an insurance company, a religious, a charitable or educational institution, a state, municipal or private employees' welfare, pension or a retirement fund or system, a partnership in which one (1) or more of the partners are institutional investors, investment banking firm or other financial institution which is a Leasehold Mortgagee under or pursuant to a Leasehold Mortgage, provided that such entity has total assets of at least Two Hundred Million Dollars, (\$200,000,000.00), and further provided that such entity (1) is not connected with

or controlled by criminal elements; (ii) has not been convicted of past criminal violations; and (iii) does not have a generally known reputation for either or both

of (i) or (ii) above. The purpose of the foregoing proviso is to protect the City from embarrassment, and it is hereby agreed that the burden of proof shall be on the City to prove that such entity is connected with or controlled by criminal elements, or has been convicted of past criminal violations, or does have a generally known reputation for either or both of same.

- 7) Subparagraph 21.C.(6) Transfer by Foreclosure and by Approved Leasehold Mortgagee is amended to read as follows:

Transfers by Foreclosure and by Approved Leasehold Mortgagee.

(a) The City's consent shall not be required for a transfer of this Lease to an Approved Leasehold Mortgagee or a wholly-owned subsidiary of an Approved Leasehold Mortgagee by trustee's sale, judicial foreclosure, or deed in lieu of foreclosure.

(b) The consent of the City Council shall be required for a transfer of this Lease to any person, corporation or other entity, other than an Approved Leasehold Mortgagee or a wholly-owned subsidiary of an Approved Leasehold Mortgagee, which seeks to purchase the interest of Lessee at any trustee's sale or judicial foreclosure proceedings (collectively, "Foreclosure Transferee"). Upon ten (10) days' written request, City will consider and review any proposed transferees by foreclosure, assignment, transfer or deed in lieu of foreclosure and will declare whether or not they are accepted as an Approved Leasehold Mortgagee, except if there is no scheduled City Council meeting within the ten days, in which case, such time limit must be extended to include the next meeting of the City Council. Also, if the proposed transferee meets the following criteria, such pre-approval will not be required: if the proposed transferee: (i) has a net worth as of the date of the transfer (calculated in accordance with general accepted accounting principles verified by means of certified financial statements and measured in 1995 dollars) of at least Five Million and No/100 Dollars (5,000,000.00); (ii) has a proven history of successful and competent management of comparable shopping centers for at least five (5) consecutive years, or provides evidence reasonably satisfactory to the City that the proposed transferee will enter into a management contract for the Leased Premises with a competent and reputable shopping center manager, reasonably satisfactory to the City, who will actively manage the Leased Premises; (iii) has satisfied the requirements of Subparagraph 20.B of this Lease; and (iv) (a) is not connected with or controlled

by criminal elements; (b) has not been convicted of past criminal violations; and (c) does not have a generally known reputation for either or both of (a) or (b) above. The purpose of the foregoing is to protect the City from embarrassment,

and it is hereby agreed that the burden of proof shall be on the City to prove that such entity is connected with or controlled by criminal elements, or has been convicted of past criminal violations, or does have a generally known reputation for either or both of same.

(c) "Notwithstanding anything to the contrary contained in Subparagraph 21.C.(6) (b), if the leasehold estate under this Lease is acquired by an Approved Leasehold Mortgagee or its designee or nominee, through foreclosure, deed or assignment in lieu of foreclosure, or otherwise, the City will not withhold its consent to a subsequent transfer of this Lease by such Approved Leasehold Mortgagee or its designee or nominee to a third party if the proposed transferee: (i) has a net worth as of the date of the transfer (calculated in accordance with general accepted accounting principles verified by means of certified financial statement and measured in 1995 dollars) of at least Five Million and No/100 Dollars (\$5,000,000.00); (ii) has a proven history of successful and competent management of comparable shopping centers for at least five (5) consecutive years, or provides evidence reasonably satisfactory to the City that the proposed transferee will enter into a management contract for the Leased Premises with a competent and reputable shopping center manager, reasonably satisfactory to the City, who will actively manage the Leased Premises; (iii) has satisfied the requirements of Subparagraph 20.B of this Lease; and (iv) (a) is not connected with or controlled by criminal elements; (b) has not been convicted of past criminal violations; and (c) does not have a generally known reputation for either or both of (a) or (b) above. The purpose of the foregoing is to protect the City from embarrassment, and it is hereby agreed that the burden of proof shall be on the City to prove that such entity is connected with or controlled by criminal elements, or has been convicted of past criminal violations, or does have a generally known reputation for either or both of same.

8) Subparagraph 22.A. (4) is amended to read as follows:

(4) Unless otherwise provided by paramount law, the entry of any decree or order for relief by any court with respect to Lessee in any involuntary case under the Federal Bankruptcy Code or any other applicable federal or state law; or the appointment of or taking possession by any receiver, (except if the appointment of a receiver has been secured by the Approved Leasehold Mortgagee to protect its investment) liquidator, assignee, trustee, sequestrator or other similar official, of

the Leased Premises or of Lessee or of any substantial part of the property of Lessee or the ordering or winding up or liquidating of the affairs of Lessee and the continuance of such decree or order unstayed and in effect for a period of sixty (60) days; or the commencement by Lessee of a voluntary proceeding under the federal law or consent by Lessee to the entry of an order for relief in an involuntary case under any such law, or consent by Lessee to appointment of or taking of possession by a receiver, (except if the appointment of a receiver has been secured by the Approved Leasehold Mortgagee in order to protect its investment) liquidator, assignee, trustee, sequestrator or other similar official, of Lessee or of any substantial part of the property of Lessee or the making by Lessee of any general assignment for the benefit of creditors; or the failure of Lessee to operate its business for ten (10) business days when such failure is due to any financial difficulty; or Lessee taking any other voluntary action related to the dissolution of Lessee or the winding up of Lessee's affairs.

- 9) Subparagraph 29.C. of this Lease is hereby amended by inserting the following immediately prior to the last sentence of said subparagraph:

"Notwithstanding anything to the contrary contained in this Subparagraph 29.C., in the event the Lessee is the Approved Leasehold Mortgagee or its designee or nominee and the total cost to restore the Leased Premises and all buildings, structures and improvements located thereon remaining after said taking is reasonably estimated to exceed the portion of any award made available to Lessee for that purpose, Lessee may elect to demolish those buildings, structures or improvements designated by the City as requiring demolition, restore the Leased Premises to a neat, clean, and level condition to the reasonable satisfaction of City and terminate this Lease by notifying City in writing of its intent to do so within sixty (60) days of the event causing such damage or destruction."

- 10) Except as modified or amended herein, the lease of October 21, 1987 and the first amendment thereto continue in full force and effect.

This amendment to lease is effective as of the date first appearing above.

CITY OF TORRANCE

Dee Hardum

~~ROLLING HILLS SHOPPING CENTER,~~
a California limited partnership

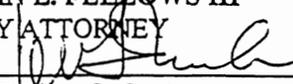
Robert L. S. [Signature]

ATTEST:


CITY CLERK

APPROVED AS TO FORM:

JOHN L. FELLOWS III
CITY ATTORNEY

By: 

William G. Quale
Assistant City Attorney

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THIRD AMENDMENT TO LEASE

This third amendment to lease is made and entered into this as of July 15 1997, between the City of Torrance, a Municipal corporation ("CITY"), and Rolling Hills Plaza Shopping Center, a California limited partnership, ("LESSEE").

RECITALS:

as Manager of Rolling Hills Plaza Venture 96, LLC, a California Limited Liability Company

The parties to this lease entered into the lease on October 21, 1987; and the lease was amended once, effective August 1, 1990, and a second time, effective January 23, 1996; and the parties now wish to further amend this lease.

AGREEMENT.

The parties agree as follows:

- Paragraph 3 is amended to read as follows: "OPTION TO EXTEND: If LESSEE sells or refinances the leasehold on or before December 31, 2000, upon request of LESSEE, CITY will extend the term of the leasehold to a date not later than fifty years from the date of sale or refinance. This option to extend the lease will only be granted one time, and then only if the lease is in full force and effect and all the terms of the lease are being met by LESSEE."

This amendment to lease is effective as of the date first written above.

CITY OF TORRANCE, a Municipal corporation

ROLLING HILLS PLAZA VENTURE 96, LLC, a California Limited Liability Company
By: ROLLING HILLS SHOPPING CENTER, a California limited partnership

By: LA CAZE PARTNERSHIP, a California limited partnership, general partner

By: Norman R. La Caze, Trustee of the La Caze Family Trust O/A dated July 6, 1987, Partner

ATTEST:

Dee Hardison
Dee Hardison, Mayor

Sue Herbers
Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III
City Attorney

By: Heather K. Whitham
Heather K. Whitham,
Deputy City Attorney

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CG 053

Post-it brand fax transmittal memo 7871		of pages	
To	Norm LaCaze	From	Sue Herbers
Co.		Co.	
Dept.		Phone #	
Fax #	934-2521	Fax #	

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