

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

SUBJECT: City Manager – Approve Landlord Estoppel Certificate and Agreement for City-owned property located at the Northwest corner of Pacific Coast Highway formally known as Torrance Towne Center.

RECOMMENDATION

Recommendation of the City Manager that City Council approve a Ground Lease Estoppel between the City of Torrance, as landlord ("City), and Torrance Towne Center Associates LLC, a California limited liability company [as successor in interest to OMA Cerritos VC, LLC, a California limited liability company, Staton VB, LLC, a California limited liability company, and Airport-Venture 2002 LLC, a California limited liability company (*collectively "Original Lessee"*)], as tenant ("Lessee") for City-owned property located at the Northwest corner of Pacific Coast Highway formally known as Torrance Towne Center.

Funding

Funding is not required for this transaction.

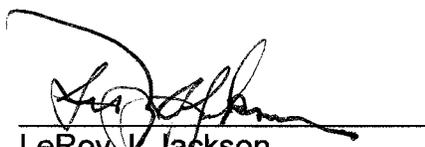
BACKGROUND/ANALYSIS

Ground Lease Estoppels are assurances required by lending institutions that at the time of a loan the Leasehold is not in any material defaults, as well as restating portions of the Lease to prove they are correct and in full force, such as Lease term. The Estoppel Certificate this evening ensures that the rent is current, there are no material defaults, and that the Lease termination is in fact March 31, 2053. All are true and correct.

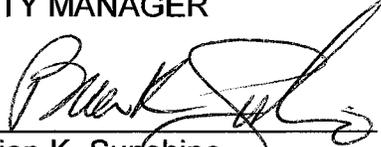
Respectfully submitted,

LeROY J. JACKSON
CITY MANAGER

CONCUR:



LeRoy J. Jackson
City Manager

By 

Brian K. Sunshine
Assistant to City Manager

Attachment: Estoppel Certificate

GROUND LEASE ESTOPPEL

This Ground Lease Estoppel (this "Agreement") is dated as of 11/06/, 2012 and is between the City of Torrance, as landlord ("City), and [Torrance Towne Center Associates LLC, a California limited liability company] (as successor in interest to OMA Cerritos VC, LLC, a California limited liability company, Staton VB, LLC, a California limited liability company, and Airport-Venture 2002 LLC, a California limited liability company (collectively "Original Lessee")), as tenant ("Lessee").

WITNESSETH THAT:

WHEREAS, City, as landlord, and Original Lessee entered into a Lease Agreement dated July 1, 1985 (the "Lease") relating to a parcel of land located in Torrance, California, containing 17.296 acres more or less (the "Demised Premises) as more particularly described in the Lease and Schedule A hereto.

WHEREAS all of the Original Lessee's right, title and interest under the Lease was assigned by the Original Lessee to Lessee pursuant to that assignment dated September 23, 2003 and recorded in _____.

WHEREAS, the Lessee is about to grant a leasehold deed of trust on Lessee's interest in the Lease to JPMorgan Chase Bank, National Association (together with its successors and assigns, the "Lender").

WHEREAS, City and Lessee wish to enter into certain agreements relating to the Lease as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration; receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties agree, as follows:

1. City acknowledges that Lender shall be an "Approved Leasehold Mortgagee", and its leasehold deed of trust, fixture filing and security agreement (the "Security Instrument") and related loan documents shall be an "Approved Leasehold Mortgage", as such terms are referenced in the Lease. City agrees to provide a copy of any notice of default required by the Lease to the Lender whenever notice is required to be given to Lessee or a mortgagee under the terms of the Lease, at the address set forth below, or at such other address as the Lender may provide to City from time to time.

If to Lender: JPMorgan Chase Bank, National Association
383 Madison Avenue
New York, New York 10179
Attention: Joseph E. Geoghan
Facsimile No.: (212) 834-6029

with a copy to: JPMorgan Chase Bank, National Association
Four New York Plaza, 20th Floor
New York, New York 10004
Attention: Nancy Alto

Facsimile No.: (212) 623-4779

2. City hereby certifies to the Lender that:
- (a) the Lease is in full force and effect, and has not been modified, except as set forth herein;
 - (b) the expiration date of the term of the Lease is March 31, 2053;
 - (c) the base rent currently payable under the Lease is \$ 35,000.00 per month and any percentage rent due and payable, if any, has been paid in full;
 - (d) base rent, percentage rent and other charges payable under the Lease by Lessee have been paid through 10/31/, 2012;
 - (e) Lessee is not currently in default under the Lease and no condition exists which, with the passage of time, giving of notice or both, shall constitute an event of default;
3. This Agreement (i) may not be modified except by an agreement in writing signed by all of the parties hereto, (ii) shall inure to the benefit of and be binding upon, the parties hereto and their respective: heirs, personal representatives, successors and assigns and (iii) may be signed in multiple counterparts, and, when counterparts are executed by all parties, such counterparts shall be deemed an original instrument. Except as set forth herein, the Lease shall remain unmodified. In the event of any conflict between the terms of the Lease and this Agreement, the terms of this Agreement shall control.
4. City acknowledges that the leases listed on the rent roll attached hereto as Schedule B and incorporated herein by reference are subleases entered into in compliance with the provisions of the Lease and that such subleases and the provisions set forth therein shall constitute approved forms for the purposes of the Lease. City also confirms that to the extent any future sublease is required to be consented to by City in accordance with the terms of the Lease, such City approval shall not be unreasonably withheld, conditioned or delayed.
5. City confirms that for purposes of compliance with the requirements of Paragraph 24.C.(5)(ii) of the Lease, the retention of any nationally or regionally recognized property manager shall automatically satisfy the requirements of Paragraph 24.C.(5)(ii) of the Lease and City's approval shall be deemed given in such instance.

IN WITNESS WHEREOF, the parties have executed this Ground Lease Estoppel on the day and year first above written.

City:

CITY OF TORRANCE, a municipal corporation

By: _____

Name: _____

Title: _____

Lessee:

[TORRANCE TOWNE CENTER ASSOCIATES
LLC, a California limited liability company

By: TORRANCE VENTURE 2003 LLC,
a California limited liability company,
Manager

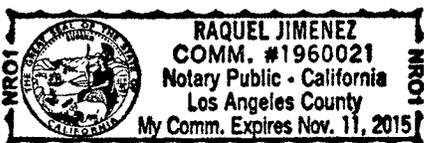
By: AIRPORT VENTURE 2002 LLC,
a California limited liability company,
Manager

By: _____
Name: NORMAN R. LA CAZE
Its: MANAGING MEMBER

STATE OF) *California*
) ss.
COUNTY OF) *Los Angeles*

On *October 23*, 2012 before me, Notary Public, *Norman R. LaCaze* 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.



Raquel Jimenez
Notary Public

STATE OF)
) ss.
COUNTY OF)

On _____, 2012 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.

Notary Public

Schedule A
LEGAL DESCRIPTION OF THE PROPERTY

PARCEL 59 OF OFFICIAL MAP NO. 2, IN THE CITY OF TORRANCE, AS SHOWN ON MAP FILED IN BOOK 5 PAGES 44 TO 51 INCLUSIVE, OF OFFICIAL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS AND ALL PETROLEUM AND ALL URANIUM, THORIUM AND THEIR MATERIALS ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS IN SAID LAND, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED MAY 13, 1948 IN BOOK 27145 PAGE 362, OFFICIAL RECORDS.

BY A DEED DATED MAY 5, 1961 EXECUTED BY UNITED STATES OF AMERICA AND RECORDED MAY 31, 1961 IN BOOK D-1237 PAGE 838 OFFICIAL RECORDS, ALL RIGHT, TITLE AND INTEREST OF THE GRANTOR IN AND TO ALL MINERALS AND PETROLEUM IN OR UNDER THE LAND TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF, TOGETHER WITH THE RIGHT TO ENTER UPON SAID PROPERTY TO PROSPECT FOR, MINE OR REMOVE SUCH MINERALS AND PETROLEUM, AND TOGETHER WITH THE RIGHT TO DRILL FROM LANDS ON THE TORRANCE MUNICIPAL AIRPORT OR FROM ADJACENT PREMISES, INTO AND THROUGH THE SUB-SURFACE TO A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, WAS QUITCLAIMED TO THE CITY OF TORRANCE.

SAID LAND ALSO BEING DESCRIBED AS A PORTION OF LOT 1 OF TRACT NO. 9765 AS SHOWN ON MAP RECORDED IN BOOK 170 PAGES 10 TO 12, INCLUSIVE, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

Schedule B

Rent Roll

TORRANCE TOWNE CENTER ASSOCIATES, LLC.

RENT ROLL - October 2012

ADDRESS	TENANT	COMM. DATE	MAT. DATE	SQUARE FOOTAGE
25355	ATOMIC BOXING	08/01/07	05/31/17	3,001
25435	BANK OF AMERICA.....	01/01/98	01/20/18	7,981
2745	BIG 5 SPORTING GOODS.....	11/18/85	01/31/17	10,000
2733-G	BURKE WILLIAMS DAY SPA.....	12/20/04	12/31/20	15,672
25345-B	COFFEE BEAN & TEA LEAF.....	04/26/04	12/31/17	1,300
2785-G	CENTER FOR LEARNING UNLIMITED.....	05/01/09	04/30/15	7,524
2795	COMERICA BANK.....	12/09/03	11/30/18	3,943
25405	CONNECT / VERIZON (AUTO CELLULAR).....	11/16/10	11/15/20	1,412
25365-E	FANTASTIC SAMS.....	03/01/04	02/28/21	1,200

2731	GAETANO'S	10/23/92	10/31/17	3,171
25425	GOODWILL INDUSTRIES.....	01/22/10	01/21/15	14,038
25357	HOBBYTOWN USA.....	08/01/07	07/31/14	3,037
25415-A	HOWARD'S APPLIANCES.....	09/04/09	09/30/14	18,679
2785-F	IMPRESSION NAIL SALON.....	11/01/03	10/31/13	1,200
2705	JACK IN THE BOX.....	01/10/83	01/09/17	2,850
2755-A	KAN (FUKAMOTO).....	05/01/04	04/30/14	2,192
25375	KOHL'S DEPARTMENT STORE.....	03/07/03	01/31/24	95,697
25343	MIMI'S CAFÉ.....	11/09/87	11/08/22	6,365
2733-A	PANERA BREAD.....	06/08/04	05/31/14	5,198
25361	PARTY AMERICA.....	04/24/87	01/31/13	9,000
2777	PEI WEI ASIAN DINER.....	01/01/04	12/31/13	3,282
25359	ROADRUNNER SPORTS.....	11/01/06	10/31/16	6,778

25345-C	ROBEKS JUICE.....	01/09/04	12/31/16	1,226
2775	SMART & FINAL.....	07/15/03	07/31/13	18,005
2755-E	TOTAL WOMAN.....	12/13/10	12/31/20	10,000
2755-J	TTC BEAUTY SUPPLY.....	10/01/03	09/30/13	1,600
25345-A	UNION BANK.....	10/11/02	10/31/17	3,378
2785-E	UPS STORE.....	01/01/06	12/31/19	1,200
25401/25405	VALALANS JEWELERS.....	11/26/10	11/25/15	1,750
2733-D	WINESTYLES.....	11/01/06	06/30/15	1,593
2733-400	T-MOBILE/CINGULAR WIRELESS (CELL).....	07/26/96	12/10/15	0
2733-401	NEXTEL COMMUNICATIONS (CELL).....	06/26/03	06/25/13	0
2733-402	VERIZON WIRELESS (CELL).....	05/01/09	04/30/14	0
2733-403	METRO PCS/ROYAL COMM (CELL).....	06/01/10	05/30/15	0
25401-ALT.	LANDLORD STORAGE.....	***	***	256
TOTALS.....				262,272

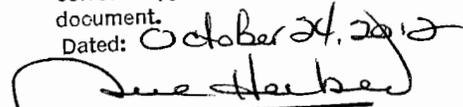
C-004 Torrance Towne Center

Assignment and Assumption of Lease	September 23, 2003
Ground Lease Estoppel	September 23, 2003
Amended and Restated Lease	September 23, 2003

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF TORRANCE)

This is to certify that the foregoing is a true and correct copy of the original document.

Dated: *October 24, 2012*



SUE HERBERS, City Clerk

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Torrance Towne Center Associates LLC
c/o LaCaze Development
2601 Airport Drive, Suite 300
Torrance, California 90505
Attn.: Norman R. LaCaze

(Space Above For Recorder's Use)

ASSIGNMENT AND ASSUMPTION OF LEASE

**[THIS ASSIGNMENT OF LEASE DOES NOT CONVEY
A LEASEHOLD ESTATE LONGER THAN NINETY-NINE (99) YEARS]**

THIS ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is dated for reference purposes only as of September 23, 2003, and is made and entered into by and between OMA CERRITOS VB, LLC, a California limited liability company ("OMA"), STATON VB, LLC, a California limited liability company ("Staton"), and AIRPORT VENTURE 2002 LLC, a California limited liability company ("Airport 2002") (OMA, Staton, and Airport 2002 are collectively referred to herein as "Assignor"), and TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company ("Assignee") and is consented to by THE CITY OF TORRANCE, a municipal corporation ("City").

C - 004

RECITALS

A. On or about July 1, 1985, City, as lessor, and Airport Plaza Shopping Center, a California general partnership ("APSC"), the predecessor-in-interest to Assignor, as lessee, entered into that certain Lease dated July 1, 1985 (the "Original Lease"), a memorandum of which was recorded on August 6, 1985 as Instrument No. 85-907091 in the Official Records of Los Angeles County, California (the "Records"). APSC was later reconstituted as Airport Plaza Associates II, a California general partnership ("Airport Plaza") and, with City's consent, Airport Plaza assumed the rights and obligations of APSC, as lessee under the Original Lease, as disclosed by that certain Amendment to Memorandum of Lease dated March 7, 1988, by and between City and Airport Plaza. Airport Plaza was later reconstituted and renamed "APA III LTD., a California limited partnership". Thus, Assignor is the current lessee under the Lease (as hereinafter defined).

B. The Original Lease has been amended previously by (i) that certain Amendment to Lease dated January 17, 1986 (the "First Amendment") executed by City and Airport Plaza; (ii) that certain Second Amendment to Lease dated March 5, 1986 (the "Second Amendment") executed by City and Airport Plaza; (iii) that certain Third Amendment to Lease dated March 7, 1988 (the "Third Amendment") executed by City and Airport Plaza; (iv) that certain Fourth

Amendment to Lease dated October 15, 1990 (the "Fourth Amendment") executed by City and Airport Plaza; (v) that certain Fifth Amendment to Lease dated April 1, 1995 (the "Fifth Amendment") executed by City and Airport Plaza; (vi) that certain Sixth Amendment to Ground Lease and Landlord's Estoppel Certificate dated on or about June 11, 1997 (the "Sixth Amendment"), by and between City and Assignor, and (vii) that certain Seventh Amendment to Ground Lease dated June 3, 2002 (the "Seventh Amendment") by and between the City and Lessee (the Original Lease, as amended by the First, Second, Third, Fourth, Fifth, Sixth and Seventh Amendments is herein referred to as the "Lease").

C. The Lease encumbers the premises known as the "Airport Plaza Shopping Center" located at 2733 Pacific Coast Highway, Torrance, California, and legally described as set forth on the attached Exhibit "A" (the "Property").

D. Assignor desires to assign the leasehold estate under the Lease and all right, title and interest of Assignor as the lessee under the Lease to Assignee, and Assignee desires to accept said assignment, upon the terms, covenants and provisions of this Assignment.

NOW, THEREFORE, incorporating the foregoing recitals of fact, Assignor and Assignee agree as follows:

1. Effective Date. The "Effective Date" of this Assignment shall be the date the this Assignment is recorded in the Official Records of the Los Angeles County Recorder's Office.
2. Assignment. Assignor hereby assigns to Assignee all of Assignor's right, title and interest in and to the Lease as of the Effective Date.
3. Assumption. Assignee hereby accepts the foregoing assignment, and agrees to assume the Lease and agrees to timely keep, perform and discharge all of Assignor's obligations under the Lease as of the Effective Date.
4. Notices. All notices given or to be given to the "Lessee" under the Lease shall be delivered to Assignee, as the new Lessee under the Lease, at the following address:

Torrance Towne Center Associates LLC
c/o LaCaze Development
2601 Airport Drive, Suite 300
Torrance, California 90505
Attn.: Norman R. LaCaze

With a copy to: Overton, Moore and Associates, Inc.
P.O. Box 92807
Worldway Postal Center
Los Angeles, California 90009-2807
Attn.: Stanley A. Moore

5. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

6. Qualification; Authority. Assignor and Assignee each represent and warrant that it is duly formed, is authorized to do business in the State of California and that it has been duly authorized to enter into and perform its obligations under this Assignment.

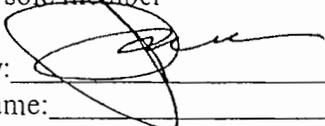
7. Counterparts. This Agreement may be executed in counterparts, each of which, when this Agreement has been signed by all the parties hereto, shall constitute a binding agreement and be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Assignment of Lease as of the day and year first above written.

ASSIGNOR:

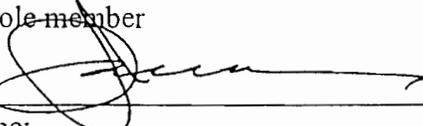
OMA CERRITOS VB, LLC, a California limited liability company

By: OMA Cerritos Properties LLC,
a California limited liability company,
its sole member

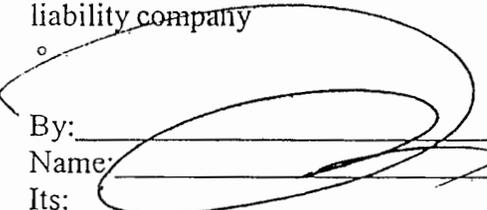
By: 
Name: _____
Its: _____

STATON VB, LLC, a California limited liability company

By: Staton Investment Co.,
a California general partnership,
its sole member

By: 
Name: _____
Its: _____

AIRPORT VENTURE 2002 LLC, a California limited liability company

By: 
Name: _____
Its: _____

ASSIGNEE:

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

By: TORRANCE VENTURE 2003 LLC,
a California limited liability company,
Manager

By: AIRPORT VENTURE 2002 LLC,
a California limited liability company,
Manager

By: _____
Norman R. La Caze
Its: Manager

CONSENT TO ASSIGNMENT AND ASSUMPTION OF LEASE

This Consent to Assignment of Lease (this "Consent") is dated for reference purposes only as of September __, 2003, and is made by THE CITY OF TORRANCE, a municipal corporation ("City") in connection with that certain Assignment and Assumption of Lease (the "Assignment") dated of even date herewith, by and between OMA CERRITOS VB, LLC, a California limited liability company ("OMA"), STATON VB, LLC, a California limited liability company ("Staton"), and AIRPORT VENTURE 2002 LLC, a California limited liability company ("Airport 2002") (OMA, Staton, and Airport 2002 are collectively referred to herein as "Assignor"), and TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company ("Assignee"). All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Assignment.

Subject to all of the terms, covenants, agreements and conditions set forth in the Lease, City, as lessor under the Lease, hereby consents to the assignment of all of Assignor's right, title and interest in and to the Lease to Assignee and the assumption by Assignee of all of Assignor's right, title and interest in and to the Lease.

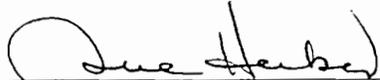
Notwithstanding the foregoing, by consenting to the Assignment, the City shall not be deemed to have released Assignor from liability under the Lease for those obligations (including, without limitation, any accrued amounts due the City) arising prior to the Effective Date of the Assignment and Assignor, by its acceptance of this Consent, as evidenced by its signature below, understands and agrees that the burden of proving that any such liability arose after the Effective Date shall be on Assignor. Additionally, City's consent to the Assignment shall not constitute a consent to any further or subsequent conveyance or transfer by Assignee of the Lease, its interest in the Property, or any part thereof, or any interest therein.

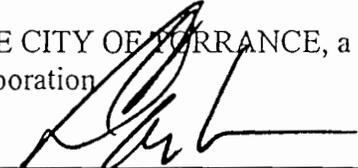
[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK. SIGNATURES FOLLOW.]

IN WITNESS WHEREOF, the City and Assignor have executed this Consent as of the date first written above.

ATTEST:

THE CITY OF TORRANCE, a municipal corporation


Name: SUE HERBERS, CMC
Title: City Clerk

By: 
Name: DAN WALKER
Title: Mayor

APPROVED AS TO FORM:

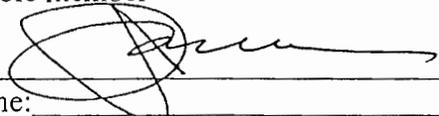

John L. Fellows III, City Attorney

AGREED AND ACCEPTED
THIS 23 DAY OF SEPTEMBER, 2003:

ASSIGNOR:

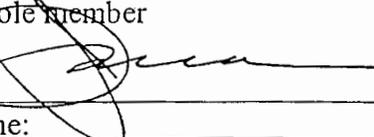
OMA CERRITOS VB, LLC,
a California limited liability company

By: OMA Cerritos Properties LLC,
a California limited liability company,
its sole member

By: 
Name: _____
Its: _____

STATON VB, LLC,
a California limited liability company

By: Staton Investment Co.,
a California general partnership,
its sole member

By: 
Name: _____
Its: _____

AIRPORT VENTURE 2002 LLC,
a California limited liability company

By: _____
Name: _____
Its: _____

ASSIGNEE:

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

By: TORRANCE VENTURE 2003 LLC,
a California limited liability company,
Manager

By: AIRPORT VENTURE 2002 LLC,
a California limited liability company,
Manager

By: _____
Norman R. La Caze
Its: Manager

ACKNOWLEDGMENT

State of California }
 }
 County of Los Angeles }

On 9/25/03, before me, Kathleen J. Polliard, Notary Public,

Daniel Walker and Sue Herbers personally appeared and personally known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.



Kathleen J. Polliard

 Kathleen J. Polliard
 Notary Public

This acknowledgment is attached to the following document:

Title of Document: *Assignment + Assumption of Lease*

Capacities claimed by signers:

Daniel Walker – Mayor, City of Torrance

Sue Herbers – City Clerk, City of Torrance

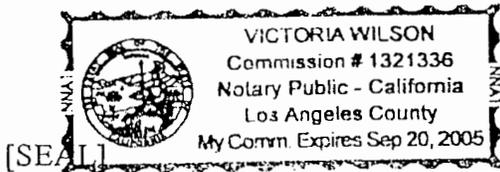
Signature on page 6.

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss.

On SEPT. 19, 2003, before me, VICTORIA WILSON, Notary Public, personally appeared STANLEY A. MOORE, 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.

Victoria Wilson
Notary Public



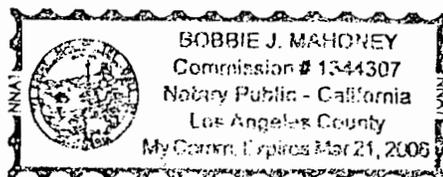
STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.

On September 23, 2003, before me, Bobbie J. Mahoney, 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.

Bobbie J. Mahoney
Notary Public

[SEAL]



LEGAL DESCRIPTION OF THE PROPERTY

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EXCEPT ALL MINERALS AND ALL PETROLEUM AND ALL URANIUM, THORIUM AND THEIR MATERIALS ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS IN SAID LAND, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED MAY 13, 1948 IN BOOK 27145 PAGE 362, OFFICIAL RECORDS.

BY A DEED DATED MAY 5, 1961 EXECUTED BY UNITED STATES OF AMERICA AND RECORDED MAY 31, 1961 IN BOOK D-1237 PAGE 838 OFFICIAL RECORDS, ALL RIGHT, TITLE AND INTEREST OF THE GRANTOR IN AND TO ALL MINERALS AND PETROLEUM IN OR UNDER THE LAND TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF, TOGETHER WITH THE RIGHT TO ENTER UPON SAID PROPERTY TO PROSPECT FOR, MINE OR REMOVE SUCH MINERALS AND PETROLEUM, AND TOGETHER WITH THE RIGHT TO DRILL FROM LANDS ON THE TORRANCE MUNICIPAL AIRPORT OR FROM ADJACENT PREMISES, INTO AND THROUGH THE SUB-SURFACE TO A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, WAS QUITCLAIMED TO THE CITY OF TORRANCE.

SAID LAND ALSO BEING DESCRIBED AS A PORTION OF LOT 1 OF TRACT NO. 9765 AS SHOWN ON MAP RECORDED IN BOOK 170 PAGES 10 TO 12, INCLUSIVE, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXHIBIT "A"
TO ASSIGNMENT AND
ASSUMPTION OF LEASE

GROUND LEASE ESTOPPEL

This Ground Lease Estoppel (this "Agreement") is dated as of September 23, 2003 and is between the City of Torrance, as landlord ("City), and Torrance Towne Center Associates LLC, a California limited liability company (as successor in interest to OMA Cerritos VC, LLC, a California limited liability company, Staton VB, LLC, a California limited liability company, and Airport-Venture 2002 LLC, a California limited liability company (collectively "Original Lessee")), as tenant ("Lessee").

WITNESSETH THAT:

WHEREAS, City, as landlord, and Original Lessee entered into a Lease Agreement dated July 1, 1985 (the "Lease") relating to a parcel of land located in Torrance, California, containing 17.296 acres more or less (the "Demised Premises) as more particularly described in the Lease and Schedule A hereto.

WHEREAS all of the Original Lessee's right, title and interest under the Lease was assigned by the Original Lessee to Lessee pursuant to that assignment dated September 23, 2003 and recorded in the Official Records of Los Angeles County, California, substantially concurrently herewith.

WHEREAS, the Lessee is about to grant a leasehold deed of trust on Lessee's interest in the Lease to Lehman Brothers Bank, FSB, a federal stock savings bank (together with its successors and assigns, the "Lender").

WHEREAS, City and Lessee wish to enter into certain agreements relating to the Lease as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration; receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties agree, as follows:

1. City acknowledges that Lender shall be an "Approved Leasehold Mortgagee", and its leasehold deed of trust, fixture filing and security agreement (the "Security Instrument") and related loan documents shall be an "Approved Leasehold Mortgage", as such terms are referenced in the Lease. City agrees to provide a copy of any notice of default required by the Lease to the Lender whenever notice is required to be given to Lessee or a mortgagee under the terms of the Lease, at the address set forth below, or at such other address as the Lender may provide to City from time to time.

Lehman Brothers Bank, FSB

399 Park Avenue, 8th Floor

New York, New York 10022

Attention: John Herman

2. City hereby certifies to the Lender that:

(a) the Lease is in full force and effect, and has not been modified, except as set forth herein;

(b) the expiration date of the term of the Lease is March 31, 2053;

(c) the base rent currently payable under the Lease is \$28,197.44 per month;

(d) rent and other charges payable under the Lease by Lessee have been paid through September 30, 2003;

(e) Lessee is not currently in default under the Lease and no condition exists which, with the passage of time, giving of notice or both, shall constitute an event of default;

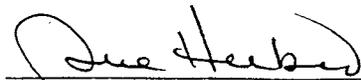
3. This Agreement (i) may not be modified except by an agreement in writing signed by all of the parties hereto, (ii) shall inure to the benefit of and be binding upon, the parties hereto and their respective: heirs, personal representatives, successors and assigns and (iii) may be signed in multiple counterparts, and, when counterparts are executed by all parties, such counterparts shall be deemed an original instrument. Except as set forth herein, the Lease shall remain unmodified. In the event of any conflict between the terms of the Lease and this Agreement, the terms of this Agreement shall control.

IN WITNESS WHEREOF, the parties have executed this Ground Lease Estoppel on the day and year first above written.

City:

CITY OF TORRANCE
a municipal corporation

ATTEST:



SUE HERBERS, CMC
City Clerk

By: 

Name: DAN WALKER
Title: City Mayor

APPROVED AS TO FORM:
JOHN L. FELLOWS III

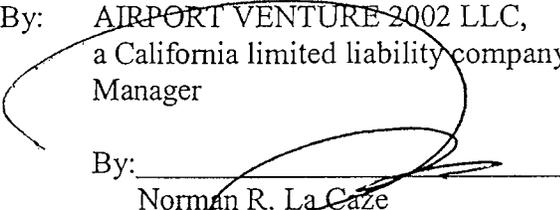
By: 

Lessee:

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

By: TORRANCE VENTURE 2003 LLC,
a California limited liability company,
Manager

By: AIRPORT VENTURE 2002 LLC,
a California limited liability company,
Manager

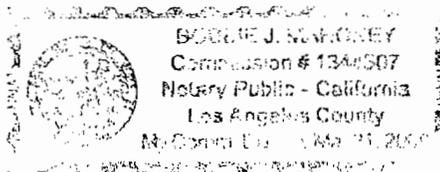
By: 
Norman R. La Caze
Its: Manager

STATE OF California)
) ss.
COUNTY OF Los Angeles)

On September 23 2003 before me, Bobbie J. Mahoney, Notary Public, personally appeared Norman R. La Caze 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.

Bobbie J. Mahoney
Notary Public



STATE OF _____)
) ss.
COUNTY OF _____)

On _____, 2003 before me, _____, Notary Public, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Notary Public

Schedule ALEGAL DESCRIPTION OF THE PROPERTY

PARCEL 59 OF OFFICIAL MAP NO. 2, IN THE CITY OF TORRANCE, AS SHOWN ON MAP FILED IN BOOK 5 PAGES 44 TO 51 INCLUSIVE, OF OFFICIAL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS AND ALL PETROLEUM AND ALL URANIUM, THORIUM AND THEIR MATERIALS ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS IN SAID LAND, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED MAY 13, 1948 IN BOOK 27145 PAGE 362, OFFICIAL RECORDS.

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SAID LAND ALSO BEING DESCRIBED AS A PORTION OF LOT 1 OF TRACT NO. 9765 AS SHOWN ON MAP RECORDED IN BOOK 170 PAGES 10 TO 12, INCLUSIVE, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

AMENDED AND RESTATED LEASE

CITY OF TORRANCE,
a municipal corporation

("City")

and

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company,

("Lessee")

September 23, 2003

C - 004

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EXHIBITS

Exhibit A	Legal Description of Leased Premises
Exhibit B	Sketch Map of Leased Premises
Exhibit C	Description of the Project
Exhibit D	FAA Quitclaim Deed, 3/5/48
Exhibit E	FAA Provisions
Exhibit F	Height Limits Sketch
Exhibit G	List of Existing Subleases

AMENDED AND RESTATED LEASE

THIS AMENDED AND RESTATED LEASE (this "Lease"), made and entered into at Torrance, California, this 23rd day of September, 2003,¹ by and between the CITY OF TORRANCE, a municipal corporation, hereinafter referred to as "City", and TORRANCE TOWNE CENTER ASSOCIATES LLC, a California limited liability company ("Lessee").

W I T N E S S E T H:

(a) The City is the owner in fee of the real property constituting the Leased Premises (as hereinafter defined), approximately 17.296 acres in size, located on the northwest corner of Pacific Coast Highway and Crenshaw Boulevard in the City of Torrance, California. Said Leased Premises are a part of the Torrance Municipal Airport, the boundaries of which are described in that certain Quitclaim Deed executed by the United States of America, dated March 5, 1948, recorded on May 13, 1948, in Book 27145, Page 362, of Official Records in the Office of the County Recorder of Los Angeles County (the "Official Records").

(b) By instrument of Release dated July 25, 1962, recorded on August 24, 1962, in Book R-1308, Page 800, of Official Records in the Office of the County Recorder of Los Angeles County, the United States of America, acting by and through the Administrator of the Federal Aviation Administration, released, with certain exceptions, the Leased Premises, among other lands, from the conditions, reservations and restrictions of said Quitclaim Deed.

(c) Pursuant to that certain Lease dated July 1, 1985 (the "1985 Lease"), the City, as lessor, leased to Airport Plaza Shopping Center, a California general partnership ("APSC"), as lessee, that certain real property located in the City of Torrance, County of Los Angeles, State of California more particularly described in Paragraph 1 below as the "Leased Premises". Pursuant to the 1985 Lease, a retail complex commonly known as "Airport Plaza Shopping Center" has been constructed on the Leased Premises.

(d) APSC was later reconstituted as Airport Plaza Associates II, a California general partnership ("APA II") and, with City's consent, APA II assumed the rights and obligations of APSC, as lessee under the 1985 Lease, as disclosed by that certain Amendment to Memorandum of Lease dated March 7, 1988, by and between City and APA II. APA II was later reconstituted and renamed "APA III Ltd., a California limited partnership" ("APA III").

(e) Pursuant to that certain Assignment and Assumption of Lease, dated June 3, 2002, and recorded on June 3, 2002, as Instrument No. 021273821, in the Official Records, to OMA Cerritos VB, LLC, a California limited liability company ("OMA"), Staton VB, LLC, a California limited liability company ("Staton"), and Airport Venture 2002 LLC, a California limited liability company ("AV 2002"), assumed all of APA III's right, title and interest in and to the Leased Premises.

¹ Insert the date that the City Council approves this Amended and Restated Lease.

(f) Pursuant to that certain Assignment and Assumption of Lease, dated September 23, 2003, and recorded on September __, 2003 as Instrument No. _____, in the Official Records, OMA, Staton, and AV 2002 have assigned and Lessee has assumed all right, title and interest in and to the Leased Premises.

(g) The 1985 Lease has been amended by (i) that certain Amendment to Lease dated January 17, 1986 (the "First Amendment") executed by City and APA II; (ii) that certain Second Amendment to Lease dated March 5, 1986 (the "Second Amendment") executed by City and APA II; (iii) that certain Third Amendment to Lease dated March 7, 1988 (the "Third Amendment") executed by City and APA II; (iv) that certain Fourth Amendment to Lease dated October 15, 1990 (the "Fourth Amendment") executed by City and APA II; (v) that certain Fifth Amendment to Lease dated April 1, 1995 (the "Fifth Amendment") executed by City and APA II; (vi) that certain Sixth Amendment to Ground Lease and City's Estoppel Certificate dated on or about June 11, 1997 (the "Sixth Amendment"), by and between City and APA III; and (vii) that certain Seventh Amendment to Ground Lease dated June 3, 2002, by and between City and Lessee (the "Seventh Amendment") (the 1985 Lease, as amended by the First, Second, Third, Fourth, Fifth, Sixth and Seventh Amendments, is herein referred to as the "Original Lease").

(h) City and Lessee desire to amend and restate the Original Lease in its entirety in order to, among other things, consolidate the Original Lease into one comprehensive document and set forth certain agreements between City and Lessee concerning rent issues.

(i) The City will benefit from the execution of this Lease, inter alia, by reason of (i) the potential for greater rents which may flow to it as contrasted to the rents receivable under the Original Lease, (ii) the increased sales and property taxes that will result 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.

(j) The City Council therefor 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.

(k) The City, acting by and through the City Council, has determined by Resolution No. 85-160 adopted on June 25, 1985, that such property is not required for other City purposes and that it is in the public interest that this Lease be executed.

(l) This Lease amends, replaces and supplants, in its entirety, the Original Lease and constitutes an amendment to and continuation of the Original Lease rather than a conveyance of a new leasehold estate in and to the Leased Premises following a termination of the Original Lease, and sets forth all of the covenants, rights and obligations of the parties with respect to the Leased Premises.

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 commonly known as 2733 Pacific Coast Highway, Torrance, California, which real property is legally described on 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 expire at midnight March 31, 2053.

3. RENT

A. Minimum Basic Rent

Subject to the provisions of Articles 4 and 5 below, on or before the first day of each month during the Term of the Lease, Lessee shall pay, in advance, to the City Minimum Basic Rent ("Minimum Basic Rent") in the amount of \$26,522.53 per month, increased annually commencing on October 1, 2004, and each lease year thereafter in proportion to the increase, if any, in the "Consumers Price Index, All Urban Consumers", 1982-84 = 100 ("Index"), prepared by the United States Bureau of Labor Statistics, Department of Labor (the "Bureau"); but in no event shall any installment of minimum monthly Minimum Basic Rent be less than \$26,522.53 for any month during the Term, 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. 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. Percentage Rent

(1) Determination

For each calendar quarter, or portion thereof, commencing with the first day of October 2003, and continuing every calendar quarter thereafter during the remainder of the Term of this Lease, in addition to the Minimum Basic Rent, Lessee agrees to pay to City as "Percentage Rent" for the Leased Premises the amount set forth in Paragraph 3(B)(2) below. Calendar quarters shall consist of the periods from January 1 through March 31; April 1 through June 30; July 1 through September 30; and October 1 through December 31 of each calendar year.

(2) Percentage of Gross Rents

(a) The amount of the Percentage Rent due for each calendar quarter during the Term of the Lease shall be the amount, if any, by which a sum equal to ten percent (10%) 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.

(b) The term "Gross Rents" shall mean all fixed rental and percentage rental paid directly, or indirectly by sublessees, licensees or concessionaires to Lessee for the occupancy or use of all or any portion of the Leased Premises, together with the reasonable rental value of any part of the Leased Premises occupied by Lessee or any affiliate of Lessee (as defined 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. The term "Gross Rents" shall not mean nor include, amongst other items, (i) Minimum Basic Rent payable under Paragraph 3(A) of this Lease, (ii) any security deposit received by Lessee from a sublessee (except to the extent such security deposit is an advance payment of rent), (iii) any monies or property received by Lessee as consideration for the assignment of Lessee's (including Lessee's successor's 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 or percentage rent, or monies paid in lieu thereof, (iv) any amounts paid to Lessee by sublessees, licensees and concessionaires which represent such party's share of real property taxes, utilities, maintenance, repairs, and common area charges paid by Lessee to third parties and any management fee or similar charges paid by sublessees, concessionaires or licensees to Lessee in connection with such common area charges, and (v) amounts paid by a sublessee to a sublessee.

(c) 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 length's basis providing for fair rentals or other payments at the time entered into. Lessee shall disclose to the City any transactions with affiliates of Lessee (which for the purposes of this Paragraph 3, shall mean any person or entity which, directly or indirectly, owns or controls, is owned by or controlled by, or is under common ownership with Lessee).

(3) Time Payable

Such Percentage Rent shall be paid to the City within thirty (30) days following the end of each calendar quarter during the Term of this Lease at the same time as the report of Lessee, as hereinafter described, is made to the City. The obligations of Lessee under this Paragraph 3(B) shall survive the expiration or sooner termination of this Lease.

(4) Report, Payment and Audit

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

(a) The names and 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 3(B).

(5) The term "tenant" 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.

(6) The payment of the amount due the City by Lessee under this Paragraph 3(B) for the preceding year as so determined shall be made with such report.

(7) 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.

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

(9) 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 one percent (1%) or more of that reported by Lessee, then the reasonable cost of such examination shall be paid by Lessee to the City.

(10) 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.

4. REDUCED RENT

A. Conditions Precedent to Reduced Rent

The City and the Lessee hereby acknowledge that Lessee is required to remodel, upgrade, and where necessary, rebuild the existing shopping center on the Leased Premises by completing, at its sole cost and expense, the Project (as defined in Paragraph 10(A)(1) below). In consideration of the Lessee's agreement to complete the Project, the City has agreed to a reduction in the rent. Accordingly, notwithstanding the provisions of Article 3 of this Lease or any other provision to the contrary set forth herein, but subject the provisions of

Article 5 of this Lease, so long as, to the City's reasonable satisfaction, (1) Lessee is using all commercially reasonable diligence to complete the Project in accordance with the terms and provisions of this Lease, including, without limitation, within the time period set forth in Paragraph 10(D) below, and (2) Kohl's and Circuit City remain Lessee's subtenants, for each lease year commencing on October 1, 2003 through September 30, 2006 (the "Construction and Re-Tenancing Period"), Lessee shall pay the Minimum Basic Rent and the Percentage Rent in accordance with this Article 4. Provided, however, notwithstanding the foregoing or any other provision set forth herein to the contrary, the terms and provisions set forth in Paragraphs 3(B)(2)(b), 3(B)(2)(c) and 3(B)(3) through 3(B)(10), inclusive, are hereby incorporated in this Article 4 by reference as if set forth in full herein and each of the foregoing Paragraphs shall survive any termination of Article 3 and shall remain in full force and effect in the event that Lessee pays rent in accordance with this Article 4.

In the event that (1) in the City's reasonable judgment, the Lessee has failed to use all commercially reasonable diligence to complete the Project in accordance with the terms and provisions of this Lease, including, without limitation, within the time set forth in Paragraph 10(D) below, or (2) the Lessee has not actually completed the Project within the time period set forth in Paragraph 10(D) below, or (3) if Kohls and Circuit City do not remain subtenants of Lessee during the Construction and Re-Tenancing Period, the provisions of this Article 4 shall automatically terminate and shall be of no further force or effect, and Lessee shall pay to the City the Minimum Basic Rent and the Percentage Rent set forth in Article 3 above.

B. Minimum Basic Rent

(1) Procedure for Payment of the Minimum Basic Rent.

On or before the first day of each month during the Term of the Lease, Lessee shall pay to the City, in advance, the Minimum Basic Rent set forth in this Article 4.

(2) First Year Through Fourth Year (October 1, 2003 through September 30, 2007).

For each lease year commencing on October 1, 2003 (the "First Year") through September 30, 2007 (the "Fourth Year"), Lessee shall pay to the City monthly Minimum Basic Rent in an amount equal to Fifteen Thousand Dollars (\$15,000.00) per month.

(3) Fifth Year Through Tenth Year (October 1, 2007 through September 30, 2013).

For each lease year commencing on October 1, 2007 (the "Fifth Year") through September 30, 2013 (the "Tenth Year"), Lessee shall pay to the City monthly Minimum Basic Rent in an amount equal to Thirty-Five Thousand Dollars (\$35,000.00) per month.

(4) Eleventh Year Through the End of the Lease Term (October 1, 2013 (the "Eleventh Year") through the End of the Lease Term).

For each lease year commencing on October 1, 2013 (the "Eleventh Year") through the end of the Term of the Lease, Lessee shall pay to the City monthly Minimum Basic Rent in an amount equal to the "adjusted Minimum Basic Rent" (as hereinafter defined).

The term "adjusted Minimum Basic Rent" shall mean a monthly sum equal to Thirty-Five Thousand Dollars (\$35,000.00), increased annually commencing on October 1, 2013, and each lease year thereafter in proportion to the Index, prepared by the Bureau; but in no event shall the adjusted Minimum Basic Rent be less than \$35,000.00 per month, nor shall any annual increase in the adjusted Minimum Basic Rent payable in any year be in excess of seven and one-half percent (7.5%) over the adjusted Minimum Basic Rent for the immediately preceding year. Annual increases in the adjusted Minimum Basic Rent in excess of seven and one-half percent (7.5%) shall cumulate and be carried over to successive years.

C. Percentage Rent

(1) Procedure For Payment of the Percentage Rent.

On or before the thirtieth (30th) calendar day after each calendar quarter beginning October 1, 2003, Lessee shall submit the Percentage Rent Report (as defined in Paragraph 3(B)(4) above, and, concurrently therewith, Lessee shall pay to the City the Percentage Rent, as described in this Paragraph 4(C). The obligations of Lessee concerning the Percentage Rent under this Article 4 shall survive the expiration or sooner termination of this Lease.

(2) Construction and Re-Tenancing Period, or the First Year Through the Third Year (October 1, 2003 through September 30, 2006).

During the Construction and Re-Tenancing Period, Lessee shall pay to the City Percentage Rent in the amount of Five Percent (5%) of the monthly Gross Rents (as defined in Paragraph 3(B) above) derived from the Leased Premises in excess of Fifteen Thousand Dollars (\$15,000.00).

(3) Fourth Year (October 1, 2006 through September 30, 2007).

For the lease year commencing on October 1, 2006 through September 30, 2007 (the "Fourth Year"), Lessee shall pay to the City Percentage Rent in the amount of Seven and One-Half Percent (7.5%) of the monthly Gross Rents (as defined in Paragraph 3(B) above) derived from the Leased Premises in excess of Fifteen Thousand Dollars (\$15,000.00).

(4) Fifth Year Through Tenth Year (October 1, 2007 through September 30, 2013).

For each lease year commencing on October 1, 2007 (the "Fifth Year") through September 30, 2013 (the "Tenth Year"), Lessee shall pay to Percentage Rent in the amount of Ten Percent (10%) of the monthly Gross Rents (as defined in Paragraph 3(B) above) derived from the Leased Premises in excess of Thirty-Five Thousand Dollars (\$35,000.00).

(5) Eleventh Year Through Thirteenth Year (October 1, 2013 (the "Eleventh Year") through September 30, 2016).

For each lease year commencing on October 1, 2013 (the “Eleventh Year”) through September 30, 2016 (the “Thirteenth Year”), Lessee shall pay to the City Percentage Rent in the amount of Twelve Percent (12%) of the monthly Gross Rents (as defined in Paragraph 3(B) above) derived from the Leased Premises in excess of the Adjusted Minimum Basic Rent for the corresponding Lease Year.

(6) Fourteenth Year Through The End of the Lease Term (October 1, 2016 through the End of the Lease Term).

For each lease year commencing on October 1, 2016 (the “Fourteenth Year”) through the end of the Term of the Lease, Lessee shall pay to the City Percentage Rent in the amount of Thirteen Percent (13%) of the monthly Gross Rents (as defined in Paragraph 3(B) above) derived from the Leased Premises in excess of the Adjusted Minimum Basic Rent for the corresponding Lease Year.

5. ADJUSTMENT OF RENT; FAIR RENTAL VALUE

A. Adjustment

(1) Notwithstanding the provisions of Articles 3 and 4 above, or any other provision to the contrary set forth herein, the Minimum Basic Rent shall be adjusted on each of January 1, 2015, January 1, 2025, January 1, 2035, and January 1, 2045, to the Fair Rental Value (as hereinafter defined) in accordance with this Article 5.

(2) “Fair Rental Value” shall mean an amount calculated by multiplying the fair market value of the Leased Premises, exclusive of the improvements thereon, based upon the uses of the Leased Premises permitted under this Lease, including without limitation, taking into account any then applicable height limitations imposed by the Federal Aviation Administration, as the same may from time to time be amended, as of the last day of the calendar year immediately preceding commencement of 2015, 2025, 2035 and 2045 (appraisal period), or the average of the fair market value on the last day of the three calendar years preceding such commencement date, whichever is greater, by the capitalization rate then prevailing for long term ground leases of similar land in the Los Angeles, Long Beach, and Anaheim metropolitan areas.

(3) The parties hereto acknowledge that the Minimum Basic Rent has not been calculated in the manner described in the immediately preceding paragraph, and that, accordingly, the Minimum Basic Rent shall not be considered in determining the Fair Rental Value of the Leased Premises as of the commencement of 2015, 2025, 2035 or 2045.

(4) If the parties cannot agree on the Fair Rental Value of the Leased Premises for the appraisal periods prior to January 1 of each of the years 2015, 2025, 2035 or 2045 respectively, then such Fair Rental Value shall be determined by arbitration in accordance with Paragraph 5(B) below. Pending such determination by the arbitrators, Lessee shall continue to pay the Minimum Basic Rent and Percentage Rent in accordance with this Lease until the Fair Rental Value of the Leased Premises has been determined by the arbitrators. The adjusted Minimum Basic Rent determined by the arbitrators (which shall be equal to the Fair Rental Value of the Leased Premises) shall be retroactive to the date upon which the appraisal period (as

applicable) commenced, and on the first day of the month following the date on which the arbitrators determine the Fair Rental Value of the Leased Premises (the "Adjustment Date"), Lessee shall pay the adjusted Minimum Basic Rent for the period from the commencement of the appraisal periods, as applicable, to the Adjustment Date, and for the month commencing on the Adjustment Date.

B. Arbitration

(1) If arbitration is required to fix the Fair Rental Value of the Leased Premises, such arbitration shall be conducted in the following manner: On or before January 1, 2015, January 1, 2025, January 1, 2035 or January 1, 2045, as the case may be, the City shall appoint an arbitrator 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 arbitrator 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 arbitrator to represent the defaulting party. The two arbitrators thus appointed (in either manner) shall select and appoint in writing a third arbitrator and give written notice thereof to the City and Lessee, or if within ten (10) days after the appointment of said arbitrator, the two arbitrators shall fail to appoint a third, then either party hereto shall have the right to make application to said Superior Court to appoint such third arbitrator. All such arbitrators shall have a minimum of ten (10) years experience in shopping center matters and shall be both impartial and unrelated to either of the City or the Lessee.

(2) The three arbitrators so appointed (in either manner) shall promptly fix a convenient time and place in the County of Los Angeles for hearing the matter to be arbitrated and shall give written notice thereof to each party hereto at least five (5) days prior to the date so fixed, and said arbitrators shall with reasonable diligence hear and determine the matter in accordance with the provisions hereof and of the statutes and judicial decisions of the State of California at the time applicable thereto, and shall execute and acknowledge their award thereon in writing and cause a copy thereof to be delivered to each of the parties hereto.

(3) The award of a majority of said arbitrators shall determine the question arbitrated, and a judgment may be rendered by said Superior Court confirming said award, or the same may be vacated, modified, or corrected by said Court, at the instance of either of the parties hereto, in accordance with the then existing statutes of the State of California applicable to arbitrations, the provisions of which statutes shall apply hereto as fully as though incorporated herein.

(4) If two of the three arbitrators 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 arbitrators, 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 arbitrators 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 arbitrator selected by their appointees and of all

other proper costs of arbitration, with the exception of attorneys' fees and witness fees which shall be borne solely by the party incurring such fees.

6. ADDITIONAL RENT

In addition to the rent described in Articles 3 and 4 above (as such rent may be adjusted in accordance with Article 5 above), all other charges and sums payable by Lessee hereunder shall be deemed to be additional rent ("Additional Rent") hereunder, 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 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 rent.

7. 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 or offset, to the office of the Treasurer 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 Paragraph 3 or Paragraph 4 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 and Percentage Rent, the following schedule of late charges shall be applicable to that portion which is overdue: (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 7(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. Notwithstanding the imposition of such late charges, Lessee shall be in default under this Lease if any or all payments required to be made by Lessee are not made at the time herein stipulated, and neither the demand for, nor collection by, City of such late charges shall be construed as a curing of such default on the part of Lessee.

8. USE

A. The Leased Premises shall be used for the following purposes but for no other purpose or purposes unless the prior written consent of the City Council thereto has been obtained, which consent may be given or refused in the sole discretion of the City Council:

(1) The sale at retail of goods, wares and merchandise ordinarily found in a retail shopping center;

(2) The sale at retail of services ordinarily found in a retail shopping center; provided, however, that only one of each of the following types of business shall be conducted on the Leased Premises:

- (a) Bank;
- (b) Dry Cleaning and Dyeing Agency (Pick-up and Delivery only) and Clothes Pressing Establishment;
- (c) Laundromat;
- (d) Laundry and Cleaning Agency (Pick-up and Delivery only);
- (e) Optometrists;
- (f) Post Office;
- (g) Savings and Loan Association or Building and Loan Association;
- (h) Stock and Bond Office;
- (i) Health Club; and
- (j) Telephone and Telegraph Office.

The foregoing restrictions of this Paragraph 8(A)(2) shall not apply to any business operated at the retail complex on the Leased Premises as of July 1, 1985 (the date of the 1985 Lease) ("Existing Business") such that no Existing Business will be required to quit the Leased Premises by virtue of these restrictions. However, no business falling within any of the above-listed categories may be conducted at the Leased Premises if there is already being conducted at the Leased Premises one or more Existing Businesses of the same type. Further, any business replacing an Existing Business that has quit the Leased Premises is subject to the above restrictions.

B. Notwithstanding the generality of the foregoing provisions, the following uses shall not be permitted:

- (1) Gasoline service stations; and

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

C. Lessee acknowledges and agrees that the primary considerations for the City's entering into this Lease 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. Notwithstanding the provisions of Paragraph 8(C) above, an aggregate of not more than forty thousand (40,000) 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. 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. (1) Notwithstanding the provisions of Paragraph 8(A) above, no more than one (1) separate, free-standing fast food or drive through operation shall be permitted on the Leased Premises, except for any such operation existing thereon as of April 1, 1984 pursuant to written subleases, which subleases shall not be renewed or extended without the prior written consent of City.

(2) Not more than four (4) in-line (non-freestanding) fast food operations will be permitted on the Leased Premises; provided, however, that the these four (4) establishments must be approved by the City Manager.

(3) The term "fast food operation" as used in this Paragraph 8(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. 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.

9. TITLE AND POSSESSION

A. Possession

Possession of the Leased Premises shall be deemed to have been delivered to Lessee on June 3, 2002 (the date of the Assignment whereby Lessee took title to a leasehold interest in the Leased Premises).

B. Warranty of Authority

(1) 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. 85-160 adopted on June 25, 1985, and as ratified by City Council action on September 23, 2003, 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.

(2) Norman R. La Caze, as Manager of AV 2002, as Manager of Torrance Venture 2003 LLC, a California limited liability company, as the manager of Lessee, hereby represents and warrants to the City that he has the full right, legal capacity and authority to enter into the obligations of Lessee under this Lease; that said Lessee is or shall be the sole owner of the leasehold interest under the Original Lease as of the instant prior to the time of effectiveness of this Lease; 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 Articles of Organization, as filed with the California Secretary of State, have been delivered to the City.

10. CONSTRUCTION

A. Covenant to Remodel, Upgrade, and Rebuild

(1) Subject to the conditions hereinafter provided in this Paragraph 10, Lessee agrees to remodel, upgrade, and where necessary, rebuild the existing shopping center on the Leased Premises by completing, at its own cost and expense, the work described on Exhibit "C" hereto, which work is hereinafter called the "Project".

(2) Lessee shall carry out the Project in accordance with the provisions of Conditional Use Permit (CUP) 02-00003 approved by the City Council on March 26, 2002, 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.

B. Approval of Construction Plans.

Within thirty (30) days of the date of this Lease, Lessee shall prepare and submit to the Director of Building and Safety an application for the Director's approval of the final plans and specifications for the Project.

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 Paragraph 10(E) below, Lessee shall complete the Project within twenty-four (24) months of the date of this Lease.

(2) The Project shall be deemed to be complete when, and only when, (a) all work for the Project has been completed in accordance with the approved plans and specifications (as set forth in Paragraph 10(B) above), (b) the City Manager or designee, in his or her reasonable discretion, has confirmed the completion of the Project in accordance with the approved plans and specifications, (c) the Director of Building and Safety, or designee, has confirmed the completion of the Project in accordance with the approved plans and specifications, (d) the architect for the Project has executed and delivered to Lessee the Architect's Certificate of Completion, and (e) Lessee has furnish a copy of the Architect's Certificate of Completion to the City Manager.

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, administrative delays by the City in the processing of governmental permits or improvements, delays directly caused by the City's changes to the preliminary plans and specifications, or other things beyond the control of Lessee. Notwithstanding anything to the contrary set forth in this Lease, this paragraph shall not apply to any delay resulting from Lessee's changes to the preliminary plans and specifications after their submission to the City Manager pursuant to Paragraph 10(B) above.

F. FAA Filing

Prior to the commencement of any work on the Project, Lessee shall file Form 7460-1 and receive approval thereof from the Federal Aviation Administration.

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 located upon the Leased Premises 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 for the Project or any portion thereof 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 timing requirements of Paragraph 10(D), as to the completion of the Project, then Lessee shall pay to the City the sum of \$10,000 for each month or fraction thereof until such completion of the Project as liquidated damages for such failure to complete of the Project.

Lessee agrees and stipulates that it would be extremely difficult to fix the actual damages of City that would result from Lessee's failure to timely comply with Paragraph 10(D), and that, accordingly, the agreement of Lessee to pay the amounts specified above as

liquidated damages in lieu thereof is reasonable under the circumstances existing as of the date hereof.

J. Bonds

(1) On or before the date of commencement of any work for the Project, 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 the California as surety guaranteeing the performance of the provisions of this Article 10. If said bond is executed by the Lessee's contractor, it shall name the Lessee and the City as joint obligees.

(2) The term of the Performance Bond and the Payment Bond 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 Project to the reasonable satisfaction of the City Manager of the City, or his designee. 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 of the Term of this Lease or which shall be constructed, remodeled, reconstructed or placed on the Leased Premises shall become the property of Lessee for the Term of this Lease, 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 16 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 Lessee's leasehold 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.

11. 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 Airport Drive – from Rolling Hills Way to approximately 400' Easterly.

(2) Lessee shall build all on-site sewer systems to connect to existing public sewer main lines adjacent to the subject property.

(3) 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 along Crenshaw Boulevard and Airport Drive 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 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) Lessee acknowledges that there is a water main tying east-west 650 feet north of Pacific Coast Highway. Said east-west line is located within an easement as shown on Exhibit "B". Since development plans for the Leased Premises call for construction of a building across said east-west line, Lessee shall at its own expense either relocate said east-west line, abandon said line or redesign the proposed construction on the Leased Premises to prevent construction over said line.

(3) 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 are available to Lessee. Lessee, at its own risk and without cost or expense to the City, shall install on and to said premises all such public utility services.

D. Easements Restricted

Lessee shall not place any buildings or structures on, over, under or across the easements reserved on the Leased Premises as shown as Exhibit "B", except as provided above.

12. LIENS

A. Payment by Lessee

(1) Subject to Lessee's right to contest the same as hereinafter provided in Paragraph 12(D) below, 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. Notwithstanding the foregoing, Lessee shall not be responsible for any such-charges arising from work performed on the Leased Premises by the City's employees or agents.

(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 29 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 nonresponsibility 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 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, the 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.

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 counsel 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.

13. 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 26 herein.

14. ALTERATIONS AND ADDITIONAL IMPROVEMENTS

A. Construction Approval

Except as provided in Paragraph 10(B) above, 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 Counsel'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 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 his designee is first obtained. Such consent shall not be unreasonably withheld, and the giving of such consent shall not be a waiver of any rights to object to further or future alterations.

C. Provisions Governing

Following the completion of the Project, as required by Paragraph 10 above, 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 provisions of this Lease governing the construction contemplated by Lessee; provided, however, that:

(1) The completion date set-forth in Paragraph 10(D) shall not apply to such construction; and

(2) The other provisions of Paragraph 10 shall apply to such construction.

D. Demolition

Except for any demolition, reconstruction and construction as permitted by Paragraph 10, in case any building or structure is demolished, Lessee shall erect a new building or structure within twelve (12) months following such demolition in substitution therefor in accordance with the provisions of this Article 14. Failure of Lessee to comply with the provisions of this Paragraph 14(D) shall constitute a default of this Lease.

E. 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.

F. 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.

15. MAINTENANCEA. Lessee Maintain

Lessee, at its own expense shall maintain 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 necessary to properly maintain the appearance and at least once each five (5) years during the Term of this Lease, Lessee shall, at its own expense, 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 building, structures, structural members and other improvements.

C. Periodic – Pavement

Lessee, at its own expense, shall at least once each five (5) years during the Term of this Lease repair or replace any area of pavement or slabs on the Leased Premises as have spalled, weathered, alligatored, or otherwise failed, with like materials and workmanship, and shall as often as necessary promptly repair or replace any damaged areas thereof.

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 Rolling Hills Way right of way between the curb and sidewalk on said street and said Leased Premises, all in compliance with the requirements of Conditional Use Permit (CUP) 02-00003.

16. SURRENDERA. Structures

At the expiration of the Term of this Lease 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.

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 even though such installations are attached to the floors, walls or roofs of any building or structure or to outside pavements, so long as such installation can be removed without structural damage to any building, structure or other improvement on the Leased Premises; provided, however, that if the removal of any such installation 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 apertures, 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 premises upon surrender to the City shall be presumed to be abandoned by Lessee.

E. Lighting, Etc.

Notwithstanding anything to the contrary contained in Paragraphs 16(C) or 16(D) above, any and all lighting, plumbing, air cooling, air conditioning, 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 equipment, without the consent of the City Council, and all such equipment shall remain as a part of the realty at the expiration of the Term of this Lease.

F. Removal at Expiration

Notwithstanding the above provisions of this Paragraph 16, 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

remove such improvements and restore the premises within 120 days following the expiration of the Term of this Lease. Such period shall not constitute an extension or renewal of this Lease.

17. SUBORDINATION

A. Quitclaim Deed

Lessee acknowledges that it has received a copy of the Quitclaim Deed executed by the United States of America, dated March 5, 1948, Exhibit "D" attached hereto and made a part hereof (recorded on May 13, 1948 in Book 27145, Page 362 of Official Records in the Office of the County Recorder of Los Angeles County), upon which the City holds title to said Leased Premises and Lessee agrees to comply with the provisions thereof as amended to the date of this Lease. This Lease shall be subordinate to such provisions as amended and to any further agreements between the City and the United States of America required by such provisions as amended, and Lessee agrees to execute such additional instruments or agreement as may be required by City or the United States to confirm or effectuate such subordination.

B. FAA Provisions

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

C. Changes in FAA Requirements

Except as otherwise provided by Paragraph 18, below, if after the Lessee completes the retail complex being constructed and remodeled upon the Leased Premises, the FAA or any other governmental entity regulating the Torrance Municipal Airport changes its requirements relating to the construction and operation of the Leased Premises (the "FAA Requirements") necessitating that the Lessee make physical changes to the Leased Premises in order to bring the Leased Premises into conformity with the FAA's revised requirements, then the City shall abate and reduce the Minimum Basic Rent and Percentage Rent payable by the Lessee in an amount equal to Lessee's direct and out-of-pocket costs incurred in connection with making such changes. Lessee shall provide the City with written statements with appropriate documentation showing the Lessee's costs before the City will be required to abate and reduce the rent. Lessee shall not be entitled to receive any reduction of rent for any changes the Lessee makes to the Leased Premises which exceed the FAA Requirements and the City shall not be obligated to the Lessee in any manner with respect to changes in the FAA Requirements except for the reduction and abatement of rent as set forth in this paragraph. Notwithstanding the foregoing, if the Lessee has not initially constructed, remodeled, or, where applicable, reconstructed said retail complex in accordance with the FAA Requirements in effect as of the date of this Lease and through the Opening Date, or if any buildings or improvements subsequently added to the Leased Premises do not comply with FAA Requirements in effect as of the date such new buildings and improvements are first used or occupied, the Lessee shall receive no reduction of rent under the provisions of this paragraph.

18. AVIGATION EASEMENTSA. 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 any elevation above mean sea level as shown on Exhibit "F" (175 feet at the northerly boundary and 250 feet in the center); 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 those elevations shown on Exhibit "F" attached hereto, 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 the elevations shown on Exhibit "F" 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 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 above provisions of Paragraph 18, 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.

19. TAXES, ASSESSMENTS AND UTILITY CHARGES

A. Payment of Charges

Lessee agrees to pay before delinquent every charge, lien or expense 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 sublessees, licensees and concessionaires on said Leased Premises.

B. Payment of Taxes

Lessee agrees to pay at least ten (10) days prior to delinquency all taxes which shall be levied against its interest in said Leased Premises or its property thereon, 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 As 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 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. If said assessment be for capital improvement, such as water lines, sewer (wastewater facilities), fences or other utilities, Lessee agrees to pay before delinquency a sum equal to one-half (1/2) of each annual installment thereof during each year of the Term hereof.

D. 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.

E. Sale of Fee Interest

In the event the City sells or transfers all or any portion of the Center, West or North Parcels and such sale or transfer results in an increase in the applicable real property taxes upon reappraisal of the Parcels, the Lessee shall be obligated to pay only one-half (1/2) of any such taxes attributable solely to such increase. Any and all taxes, assessments, liens, charges and other similar matters applicable to the Leased Premises prior to such reappraisal and/or applicable to the Leased Premises pursuant to normal increases following such reappraisal shall remain the sole responsibility of Lessee.

F. Additional Rent

The amounts payable to the City, if any, under the provisions of Paragraphs 19(D) and 19(E) 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 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.

20. 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 hold the City free and harmless from any and all liability and claim for damages 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, 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.

21. 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 comprehensive (commercial) general liability insurance 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 resulting from any suits, claims, or actions brought by any person or persons 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.

(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. In the event that the Lessee objects to such increase on the grounds that it is unreasonable and the dispute-cannot be resolved by the parties, the issue shall be decided by arbitration in accordance with the rules of the American Arbitration Association.

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 (excluding grading and fill but 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 shall also cover loss resulting from earthquake, but only to the extent required by such Leasehold Mortgagee. During the period from the dates of this Lease until the completion of the Project contemplated under Paragraph 10 herein, and thereafter during any subsequent period of construction as contemplated under Paragraph 14 herein, such insurance 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.

(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 earthquake coverage, if required.

(3) Upon the completion of any buildings constructed pursuant to the provisions of Paragraph 10 herein, and on or before January 1, 2005, 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 by arbitration in the manner provided in Paragraph 5(B) for the fixing of the fair rental value of the premises. 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 Paragraph 21(B) above, in an amount not less than twelve (12) months rent (including an estimate of the amount of the Percentage Rent which shall be equal to the average of the Percentage Rent payable for each of the prior three (3) years or, if this Lease has not been in effect for three (3) years, each of the prior years this Lease has been in effect) plus the estimated annual cost of taxes and the annual premiums for such policy.

(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 or 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.

D. Carrier Rating and Cancellation

All policies enumerated in this Paragraph 21 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. 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.

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, and any and all amendments thereto, required to be maintained by Lessee pursuant to this Lease. 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.

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.

22. 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; and
- (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 the Approved Leasehold Mortgagee, as defined in Paragraph 24(B) 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.

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 improvements 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 value of same immediately prior to such damage or destruction, 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 replacement value of such buildings, structures or other improvements immediately prior to such damage, Lessee may elect to demolish those buildings, structures and improvements designated by the City as requiring demolition, restore the Leased Premises to a neat and clean 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 thirty (30) days of the event causing such damage or destruction.

(2) 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. Duty to Repair - Last Year of Lease Term

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, whether insured or uninsured, during the last year of the Term of this Lease, the Lessee may terminate this Lease by notifying the City in writing of its intent to do so within thirty (30) days of the event causing such destruction. If the Lessee shall elect to cancel this Lease pursuant to this paragraph, 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.

E. Repair Work

Any reconstruction and repair 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 and in compliance with the provisions of Paragraph 14 herein. The City may require a Payment Bond from Lessee to assure the removal or bonding of any liens.

F. 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 Paragraph 22(C)(2) 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 average of the Percentage Rent payable for each of the prior three (3) years or, if this Lease has not been in effect for three (3) years, each of the prior years this Lease has been in effect.

23. ASSIGNMENT AND SUBLETTING

A. Consent

(1) Subject to the provisions of Paragraph 3(B)(2)(c) above, Lessee shall have the right to enter in subleases in the ordinary course of business, without the consent of the City, for space in the project 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 potentially extends beyond the Term of this Lease, and provided further, that the prior written consent of the City Council must first be obtained as hereinafter in this Paragraph 23 required for any sublease that is not on market terms and is made on a form of sublease which varies from the form previously approved by the City (which approved form shall provide, among other things, that the occupancy and use of such subleased space is subject to the terms and conditions of this Lease). The City hereby approves all subleases identified on Exhibit "G" hereto; provided, however, that any renewal, extension, modification, or other change to any of such existing subleases shall require the consent of the City if such sublease modification would have required the City's consent had the modification been in the original lease.

(2) Except as provided for in Paragraph 23(A)(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 (collectively, a "Transfer"), without first obtaining the written consent of the City Council, 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 Council. In addition to the circumstances identified in the first section of this paragraph, the term "Transfer" shall also include the circumstances hereinafter set forth, and any of the following shall be deemed "Transfer" that is prohibited hereby unless the written consent of the City be first obtained thereto:

(a) If Lessee is a partnership, limited liability company, or joint venture, a withdrawal, addition or change (voluntary, involuntary, by operation of law, or otherwise) of any, of the partners, members, or venturers 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 or others thereof; or

(c) If Lessee is a corporation, a cumulative change in the ownership (voluntary, involuntary, or by operation of law, or otherwise) of thirty-three and one-third percent (33-1/3%) or more of its capital stock owned as of the date of its acquisition of this Lease; provided, however, that any such transfer as a result of the death or judicially declared incompetency of any such person may be made without the consent of the City 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. Lessee shall give the City prompt written notice of any such change in the ownership interests in Lessee whether or not the consent of the City is required therefor. The provisions of this Paragraph 23(A)(4)(c) [except for the second sentence hereof] shall not be applicable to any Approved Leasehold Mortgagee (as defined below) that is a corporation, the stock of which is publicly traded on a recognized stock exchange.

(3) Without limiting the City's right of refusal to consent to any Transfer, the City's refusal to consent to any Transfer shall be considered reasonable:

(a) If, among other reasons, the proposed assignee, sublessee or transferee cannot demonstrate to the reasonable satisfaction of City 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 Lessee cannot demonstrate to the reasonable satisfaction of the City that such proposed 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 Paragraph 23(A)(1) provided above, it may not be divided.

B. Vesting

As a condition to the vesting of any rights in this Lease or in the leasehold estate created hereby in any City-approved assignee or sublessee of the Lessee's interest hereunder (except a sublessee under the provisions of Paragraph 23(A)(1)), 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 29 herein; and

(3) Shall state whether the proposed assignee or sublessee is an individual, a corporation or a partnership; and if such assignee or sublessee is a corporation, the

names of such corporation's principal offices and directors, its state of incorporation, the amount of capital stock authorized and the amount of capital stock outstanding at the time of the assignment, the number of shareholders and the names and address of every shareholder who directly or indirectly owns or controls five percent (5%) of more of such stock (stating the number of such shares); and if such assignee or sublessee is a partnership, the names and addresses of the members of such partnership. The provisions of this Paragraph 24(B)(3) shall not apply to any assignee of an Approved Leasehold Mortgagee (as defined below), the stock of which assignee is publicly traded on a recognized stock exchange.

C. Voidability

Any Transfer that has been made in violation of or which is not in full compliance with the provisions of this Paragraph 23 shall be voidable by the City and shall constitute a material default under this Lease.

D. Non-Disturbance and Attornment Agreements

Upon the Lessee's written request, the City shall enter into a non-disturbance and attornment agreement with the Lessee's sublessee(s) on the City's form of agreement.

24. ENCUMBRANCES

A. 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 the leasehold estate created hereby (a "Leasehold Mortgage") in favor of an institutional lender (herein sometimes referred to as the "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 to be given the Leasehold Mortgagee; provided, however, that:

(1) Any such Leasehold Mortgage must constitute a first lien on Lessee's leasehold estate; and

(2) 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 and improvements located on the Leased Premises.

B. Leasehold Mortgagee Defined

The term "Leasehold Mortgagee" as used in this Paragraph 24 and elsewhere in this Lease shall mean the mortgagee under any mortgage, or the trustee and beneficiary under any deed of trust or indenture of mortgage and deed of trust encumbering the leasehold estate or Lessee's interest therein (including the assignee or successor of any such mortgagee, beneficiary or trustee and the holder of any promissory note or bond secured thereby), and executed by Lessee and delivered for the purpose of securing to such mortgagee,

trustee or beneficiary payment of any indebtedness incurred by Lessee and secured by such mortgage, deed of trust or indenture of mortgage and deed of trust. The terms "Approved Leasehold Mortgagee" and "Approved Leasehold Mortgage" shall mean a Leasehold Mortgagee and a Leasehold Mortgage, respectively, complying with the requirements of Paragraph 24(A) above.

C. Agreements Regarding Leasehold Mortgagees

(1) Notices to Leasehold Mortgagee. So long as an Approved Leasehold Mortgagee notifies the City in writing of its Approved Leasehold Mortgagee status and provides City with an address for delivery of notices, copies of all notices given or documents delivered by the City to Lessee under the terms of this Lease, including without limitation notices of Lessee's default under this Lease, shall be concurrently served by the City on the Approved Leasehold Mortgagee by United States mail, postage prepaid, registered or certified mail, return receipt requested, at the address last provided to the City in writing by such Approved Leasehold Mortgagee. No notice given by the City under this Lease shall be effective unless served as provided in this section.

(2) Approved Leasehold Mortgagee's Rights to Cure. Notwithstanding any provision to the contrary set forth in this Lease, the City shall not terminate this Lease because of any default by Lessee or on the basis of any other event or circumstance which gives the City the right to terminate this Lease if the Approved Leasehold Mortgagee, within twenty (20) days after its receipt of notice from the City of a default by the Lessee under this Lease in the case of a default which can be cured by the payment of money required to be paid by Lessee under the terms of this Lease, or within thirty (30) days after its receipt of such notice in the case of a nonmonetary default, shall at its election either:

(a) Cure such default within such twenty (20) days, if the default can be cured by the payment of money required to be paid by Lessee under the terms of this Lease or, if the default cannot be cured in such a manner, commence to cure the default within such thirty (30) day period and thereafter diligently proceed to complete the cure; or

(b) (i) Institute a trustee's sale or judicial foreclosure proceedings under the Approved Leasehold Mortgage and thereafter diligently proceed to complete such proceedings; (ii) cure such default within such twenty (20) days if the default can be cured by the payment of money required to be paid by Lessee under the terms of this Lease; (iii) comply with all of the terms and conditions of this Lease requiring the payment or expenditure of money by Lessee (including but not limited to Paragraph 15 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 or reconveyed under the Approved Leasehold Mortgage; and (iv) commence to cure all non-monetary defaults within thirty (30) days following the Foreclosure Date and thereafter diligently proceed to complete the cure; provided, however, that if the Approved Leasehold Mortgagee fails to comply with any one of the conditions set forth in Paragraph 24(C)(2)(a) or 24(C)(2)(b), then the City shall be released from the covenant of forbearance contained in this subsection.

(3) Prosecution of Foreclosure. The 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 Paragraphs 24(C)(2)(b)(ii) and 24(C)(2)(b)(iii) hereof, and (b) such trustee's sale or judicial foreclosure is completed within twenty-four (24) months following the institution of such proceedings; provided that, such twenty four (24) month period shall be extended if the Approved Leasehold Mortgagee is unable to complete such proceedings within such twenty-four (24) month period so long as the Approved Leasehold Mortgagee is at all times diligently prosecuting such proceedings to conclusion.

(4) New Lease. 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, but not limited to, rejection of the Lease in a bankruptcy proceeding), the City shall provide the Approved Leasehold Mortgagee with written notice of such termination. If within thirty (30) days after receiving notice of such termination, the 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 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, and provided further that if Lessee has defaulted under Article 10 of this Lease, 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 Article 10 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. The new lease shall be free of all rights of Lessee. Lessee shall provide in all subleases pertaining to the Leased Premises that each subtenant of the Leased Premises shall, at the Approved Leasehold Mortgagee's option, attorn to the Approved Leasehold Mortgagee under the new lease, and the Approved Leasehold Mortgagee agrees to accept such an attornment, provided the subtenant is not in default under its sublease at the time of such attornment. 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.

(5) Performance by Approved Leasehold Mortgagee. The City agrees to accept performance by the Approved Leasehold Mortgagee of Lessee's obligations under this

Lease with the same force and effect as if performed by Lessee; provided, however, that the Approved Leasehold Mortgagee shall not become liable for the performance of Lessee's obligations under this Lease unless and until the Approved Leasehold Mortgagee acquires title to the Lease, and provided further that, if the Approved Leasehold Mortgagee shall so acquire title to this Lease or any new Lease pursuant to Paragraph 24(C)(4) above, within sixty (60) days after such Approved Leasehold Mortgagee shall have so acquired title to this Lease or such new Lease, such Approved Leasehold Mortgagee shall have either (i) sold or otherwise transferred this Lease to a third party approved by City pursuant to Paragraph 23 of this Lease, which third party shall be financially capable and experienced in operating commercial retail shopping centers similar to the Leased Premises; or (ii) 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 until such time as such Approved Leasehold Mortgagee shall have sold or otherwise transferred this Lease to a third party as required in clause (i) of this sentence. An Approved Leasehold Mortgagee acquiring title to this 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. The City agrees that an Approved Leasehold Mortgagee may enter on the Leased Premises to perform any curative act.

Notwithstanding the provisions of this Paragraph 24(C)(5) of the Lease, (i) an Approved Leasehold Mortgagee shall not become liable for the performance of obligations of Lessee under the Lease which, by their nature, cannot be performed without such Approved Leasehold Mortgagee having possession of the Leased Premises, unless and until the Approved Leasehold Mortgagee actually acquires possession of the Leased Premises (regardless of whether, prior to obtaining such possession, such Approved Leasehold Mortgagee has title to the Lease), provided that the Approved Leasehold Mortgagee is at all times diligently taking all action required in order to obtain possession of the Leased Premises at the earliest possible date and (ii) the approval of City required under Paragraphs 24(C)(5)(i) and 24(C)(5)(ii) of the Lease shall be deemed satisfied if the third party transferee or the management company referred to therein meet the respective criteria for each set forth in Paragraph 24(C)(9) above.

(6) No Merger. Without the written consent of the Approved Leasehold Mortgagee, 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.

(7) No Voluntary Surrender. 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 the Approved Leasehold Mortgagee.

(8) Leasehold Foreclosure. The City's consent shall not be required for a transfer of this Lease to the Approved Leasehold Mortgagee by trustee's sale, judicial foreclosure or transfer in lieu of foreclosure.

(9) Approved Transfers by an Approved Leasehold Mortgagee. Notwithstanding any provision to the contrary contained in the Lease, including, without limitation, Paragraph 23 of the Lease, in the event that an Approved Leasehold Mortgagee acquires title to the Leased Premises by way of foreclosure, deed in lieu of foreclosure, or other exercise of remedies provided under its Approved Leasehold Mortgage, such Approved Leasehold Mortgagee shall thereafter have the right, with the consent of the City Council, to assign the Lease to a purchaser /assignee who proposes to assume each and all of the obligations of the Lessee under the Lease. The City Council will not withhold its consent to such a proposed transferee if the Approved Leasehold Mortgagee and the proposed transferor provide evidence to City establishing that such proposed transferee (i) has a net worth (calculated in accordance with generally accepted accounting principles) of at least Five Million Dollars (\$5,000,000) as of the date of such proposed assignment, (ii) has at least five (5) years experience in the management of comparable or larger shopping center properties, or will enter into a management contract for the Leased Premises with a shopping center manager having such experience for such minimum period who will actively manage the Leased Premises, (iii) has satisfied all conditions provided in Paragraph 23(B) of the Lease (except regarding shareholders owning or controlling five percent (5%) or more of the stock of a publicly held corporation), and (iv) does not have a reputation which would embarrass the City or disparage its reputation - e.g., a reputation for connections with or control by criminal elements, past criminal violations or prosecutions, or a reputation for disreputable practices.

(10) Cure of a Prohibited Junior Leasehold Mortgage. City agrees that if Lessee violates the prohibition in the Lease on creation of any junior Leasehold Mortgage, City shall give written notice to the Approved Leasehold Mortgagee. If the Approved Leasehold Mortgagee, within thirty (30) days after receipt of such notice either (i) pays and discharges the junior Leasehold Mortgagee in its entirety, or (ii) commences foreclosure proceedings, or exercises a power of sale, under a trust deed or mortgage held by the Approved Mortgagee, and thereafter diligently prosecutes such proceedings or sale to conclusion, either of such actions shall constitute a "cure" of such default by Lessee entitling the Approved Leasehold Mortgagee to obtain the new lease provided for in Paragraph 24(C)(4) of the Lease. Nothing contained herein shall alter the prohibition against creation of junior Leasehold Mortgages by the Lessee nor be construed as City's consent thereto.

25. 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 thereof from the City that such payment is due; or

(2) The abandonment or vacation of the Leased Premises for ten (10) days after written notice thereof from the City; 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 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 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 experienced by either of the foregoing; or Lessee taking any other voluntary action related to the dissolution of Lessee or the winding up of Lessee's affairs; or

(5) Lessee shall hire an independent architect satisfactory to the City, said architect to conduct monthly reviews of the progress of the Project until the Project is completed in accordance with the terms of this Lease and to supply monthly certifications to the City and Lessee stating that: (1) the Project is proceeding in substantial compliance with plans and specifications approved by the City; (2) completion of the Project is on schedule to meet the time requirements set forth in the Lease; and (3) the percentage of the Lessee's construction loan proceeds disbursed to date corresponds to the percentage of the value of the work completed on the Project to date. In the event that the architect is unable to certify as to any of the above in any particular month, the architect shall provide a written report to the City and Lessee stating the reasons for its inability to so certify. In the event that the Approved Leasehold Mortgagee so requests, Lessee shall cause copies of said architect's certifications and/or written reports to be delivered to the Approved Leasehold Mortgagee.

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, 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 arbitration and recover as an award in such suit or arbitration 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 Paragraphs 25(B)(1)(a) and 25(B)(1)(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 Paragraph 25(B)(1)(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 Paragraph 25(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. 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 performance 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. 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. 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. 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.

26. 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.

27. 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.

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.

28. QUIET ENJOYMENT

Except as provided in Paragraph 27 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.

29. NOTICES

All notices, demands, or other communications under this Lease will be in writing. Notice will be sufficiently given for all purposes as follows:

A. Personal delivery. When personally delivered to the recipient: notice is effective on delivery.

B. First Class mail. When mailed first class to the last address of the recipient known to the party giving notice: notice is effective three mail delivery days after deposit in a United States Postal Service office or mailbox.

C. Certified mail. When mailed certified mail, return receipt requested: notice is effective on receipt, if delivery is confirmed by a return receipt.

D. Overnight delivery. When delivered by an overnight delivery service, charges prepaid or charged to the sender's account: notice is effective on delivery, if delivery is confirmed by the delivery service.

E. Facsimile transmission. When sent by fax to the last fax number of the recipient known to the party giving notice: notice is effective on receipt. Any notice given by fax will be deemed received on the next business day if it is received after 5:00 p.m. (recipient's time) or on a non-business day.

Addresses for purposes of giving notice are as follows:

LESSEE: Torrance Towne Center Associates LLC
 2601 Airport Drive, Suite 300
 Torrance, CA 90505
 Attention: Norman R. La Caze

CITY: City of Torrance
 3031 Torrance Boulevard
 Torrance, California 90509-2970
 Attention: City Manager
 Copy To: City Attorney

Any correctly addressed notice that is refused, unclaimed, or undeliverable because of an act or omission of the party to be notified, will be deemed effective as of the first date the notice was refused, unclaimed or deemed undeliverable by the postal authorities, messenger or overnight delivery service.

Either party may change its notice information by giving the other party notice of the change in any matter permitted by this Agreement.

30. 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 the Mayor for the City; (ii) executed by Lessee; and (iii) approved in writing by any Approved Leasehold Mortgagee.

31. APPROVALS BY CITY

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 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, business and activities located on or conducted thereon.

32. 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 the City for the reasonable costs, fees and expenses incurred by the City 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 the Approved Leasehold Mortgagee, as defined in Paragraph 24(B) 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.

(3) Third, any excess proceeds held by the trustee following completion of the restoration and repair described in Paragraph 32(A) 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 paid and applied in the following order of priority:

(a) First, to the City to the extent of the fair market value of the land of the Leased Premises so taken (including the full amount of the award for severance damages to the land not so taken). The fair market value of the land so taken shall be the value which is established by the parties as a part of any litigation or arbitration in connection with such taking. In the event there is no such litigation or determination, the fair market value of the land so taken shall be determined by the procedure set forth in Paragraph 5(B) above.

(b) Second, after any payment to the City required by Paragraph 32(A)(3)(a) above, Lessee shall receive the remainder of such award, if any.

(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

Lessee shall not settle or adjust any claim for damages resulting from a taking of the Leased Premises or any buildings or improvements thereon without the City's prior written consent, which consent shall be given if, and only if, the amount of such award shall be sufficient to pay the amounts to which the City is entitled pursuant to the provisions of this section.

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 damages, if any, 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 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 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%) of the replacement value of such building, structure or other improvement immediately prior to such damage, Lessee may elect to demolish same, restore the Leased Premises to a neat and clean 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 thirty (30) days of the event causing such damage or destruction. If Lessee shall elect to cancel 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.

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, 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 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 bears to the total fair market value of the land of the Leased Premises immediately preceding such taking. Such total fair market value shall, for the purposes of this paragraph, be determined in the manner set forth in Paragraph 5(B) above.

E. Approved Leasehold Mortgagee Participation

The City agrees that an Approved Leasehold Mortgagee shall have the right to participate with the City and Lessee in any condemnation proceedings affecting the Leased Premises; provided that, the Approved Leasehold Mortgagee's rights shall be limited to

enforcing its rights (if any) with respect to Lessee's share (if any) of such condemnation proceeds and shall not apply to or affect City's share of any such condemnation proceeds.

33. GENERAL PROVISIONS

A. Estoppel Certificates

The City and Lessee shall at any time and from time to time upon not less than thirty (30) 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.

B. 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.

C. 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.

D. Time

Time is of the essence of this Lease.

E. 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.

F. 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.

G. 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.

H. 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.

I. Memorandum of Lease

Neither party will suffer or permit this Lease or a copy thereof to be recorded; provided, however, at the request of either party (and at the expense of the requesting party), a memorandum of this Lease in recordable form will be prepared, executed by both parties, and recorded.

J. 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.

K. 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.

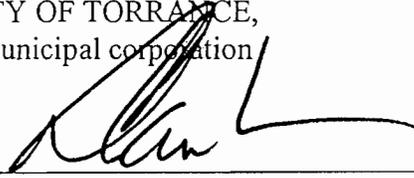
L. Governing Law

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.

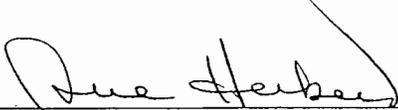
“CITY”

CITY OF TORRANCE,
a municipal corporation

By: 

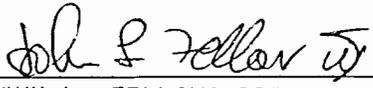
Mayor - DAN WALKER

ATTEST:



City Clerk - SUE HERBERS, CMC

APPROVED AS TO FORM:



JOHN L. FELLOWS III
City Attorney

[Signatures continued on next page]

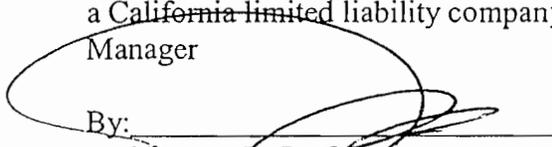
[Signatures continued from previous page]

“LESSEE”

TORRANCE TOWNE CENTER ASSOCIATES LLC,
a California limited liability company

By: TORRANCE VENTURE 2003 LLC,
a California limited liability company,
Manager

By: AIRPORT VENTURE 2002 LLC,
a California limited liability company,
Manager

By: 
Norman R. La Caze
Its: Manager

ACKNOWLEDGMENT

State of California }
 }
 County of Los Angeles }

On 9/25/03, before me, Kathleen J. Polliard, Notary Public,

Daniel Walker and Sue Herbers personally appeared and personally known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.



Kathleen J. Polliard
 Kathleen J. Polliard
 Notary Public

This acknowledgment is attached to the following document:

Title of Document: *Amended * Restated Lease*

Capacities claimed by signers:

Daniel Walker – Mayor, City of Torrance

Sue Herbers – City Clerk, City of Torrance

Signature on page 48.

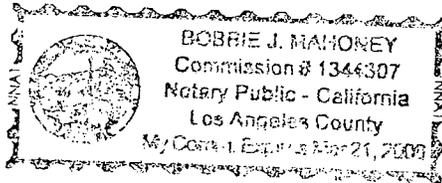
STATE OF CALIFORNIA)
) ss.
COUNTY OF Los Angeles)

On September 23, 2003, before me, Bobbie J. Mahoney 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.

Bobbie J. Mahoney
Notary Public

[SEAL]



STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, 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.

Notary Public

[SEAL]

EXHIBIT "A"LEGAL DESCRIPTION OF THE LEASED PREMISES

The real property is located in the County of Los Angeles, State of California and is more particularly described as follows:

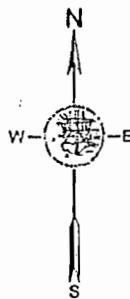
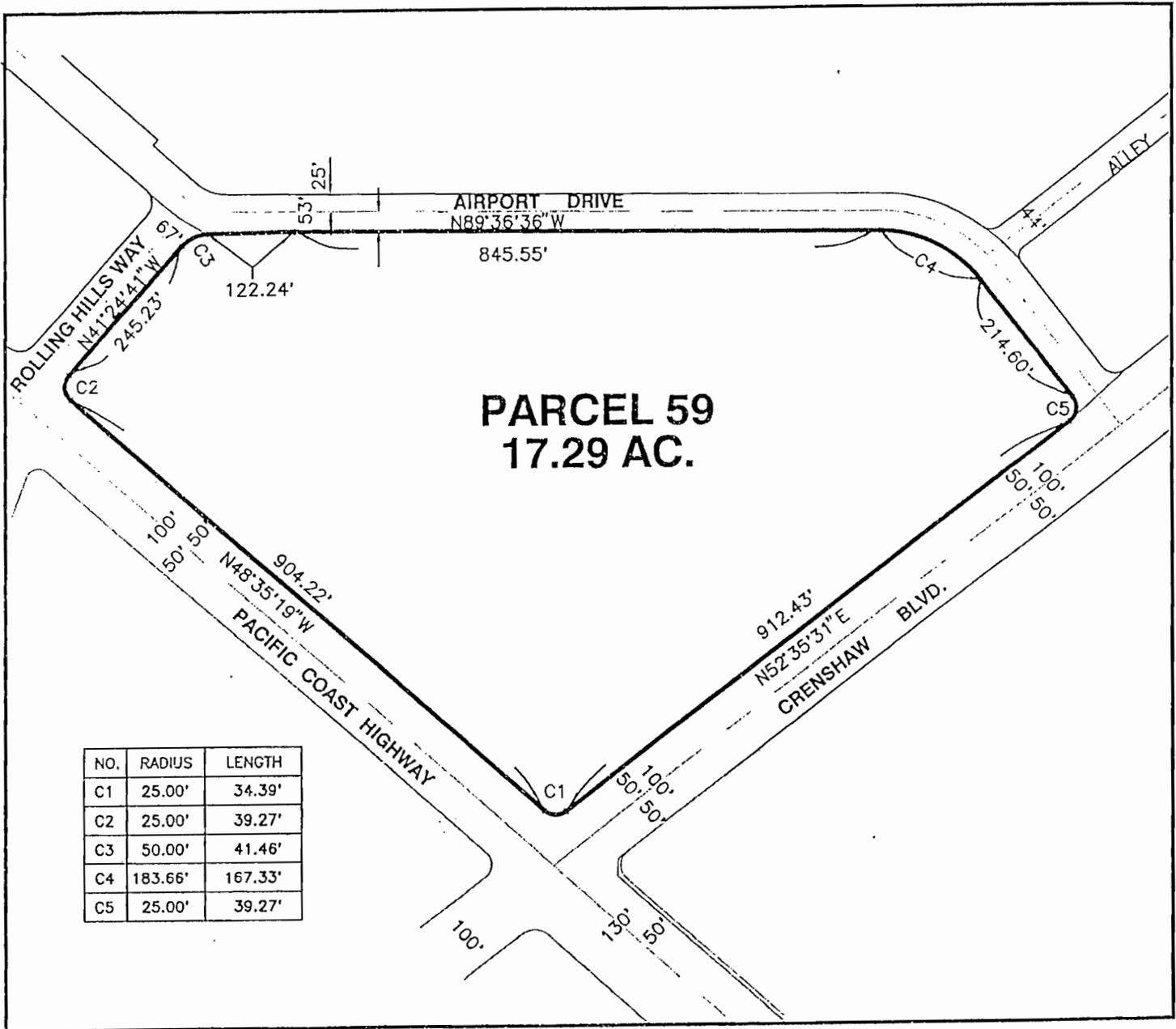
PARCEL 59 OF OFFICIAL MAP NO. 2, IN THE CITY OF TORRANCE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON MAP FILED IN BOOK 5 PAGES 44 TO 51 INCLUSIVE, OF OFFICIAL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ALL MINERALS AND ALL PETROLEUM AND ALL URANIUM, THORIUM AND THEIR MATERIALS ESSENTIAL TO THE PRODUCTION OF FISSIONABLE MATERIALS IN SAID LAND, AS RESERVED IN THE DEED FROM THE UNITED STATES OF AMERICA, RECORDED MAY 13, 1948 IN BOOK 27145 PAGE 362, OFFICIAL RECORDS.

BY A DEED DATED MAY 5, 1961 EXECUTED BY UNITED STATES OF AMERICA AND RECORDED MAY 31, 1961 IN BOOK D-1237 PAGE 838 OFFICIAL RECORDS, ALL RIGHT, TITLE AND INTEREST OF THE GRANTOR IN AND TO ALL MINERALS AND PETROLEUM IN OR UNDER THE LAND TO A DEPTH OF 500 FEET BELOW THE SURFACE THEREOF, TOGETHER WITH THE RIGHT TO ENTER UPON SAID PROPERTY TO PROSPECT FOR, MINE OR REMOVE SUCH MINERALS AND PETROLEUM, AND TOGETHER WITH THE RIGHT TO DRILL FROM LANDS ON THE TORRANCE MUNICIPAL AIRPORT OR FROM ADJACENT PREMISES, INTO AND THROUGH THE SUB-SURFACE TO A DEPTH OF 500 FEET BELOW THE SURFACE OF SAID LAND, WAS QUITCLAIMED TO THE CITY OF TORRANCE.

SAID LAND ALSO BEING DESCRIBED AS A PORTION OF LOT 1 OF TRACT NO. 9765 AS SHOWN ON MAP RECORDED IN BOOK 170 PAGES 10 TO 12, INCLUSIVE, OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

LEASE SKETCH FOR: TORRANCE TOWN CENTER ASSOCIATES, LLC.



NOT TO SCALE



ENGINEERING DEPARTMENT
RICHARD W. BURTT
ENGINEERING DIRECTOR

EXHIBIT C

PROJECT DESCRIPTION

The Project consists of land and improvements subject to the Ground Lease from the Fee Owner, The City of Torrance, and located at the northwest corner of Pacific Coast Highway and Crenshaw Boulevard. The improvements located thereon are comprised of approximately 258,760 net rentable square feet of gross leaseable area, consisting of several freestanding pads, in-line shops and commercial store buildings of one and two stories in height. In addition, the project contains a three-story office building which will be renovated as part of the final stages of redevelopment, and when completed will consist of a mixed-use building housing shops, restaurants and offices.

The anchor tenant in the shopping center consists of a new two-story Kohl's Department Store containing 45,000 feet on each level for a total of approximately 90,000 square feet; a Circuit City store of approximately 33,000 square feet; a Smart & Final wholesale/retail unit; a Big 5 Sporting Goods store; a Bank of America; a Jackson Federal Bank; and an EQ3 Furniture store containing approximately 13,500 square feet.

Recorded May 13, 1948
 BOOK 27145 Pages 362-368 Incl.

QUITCLAIM DEED

THIS INDENTURE, made this 5th day of March 1948, between the United States of America, acting by and through the War Assets Administration, and pursuant to Reorganization Plan 1 of 1947 (12 F.R. 4534), and pursuant to the powers and authority contained in the provisions of the Surplus Property Act of 1944 (58 Stat. 765) as amended, and applicable rules, regulations and orders, GRANTOR and the City of Torrance, a municipal corporation under the laws of the State of California, acting by and through its City Council, GRANTEE,

WITNESSETH: That the said Grantor, for and in consideration of the assumption by the Grantee of all the obligations and its taking subject to certain reservations, restrictions, and conditions, and its covenant to abide by certain other reservation restrictions, and conditions, all as set out hereinafter, has remised, released, and forever quitclaimed, and by these presents does remise, release, and forever quitclaim unto the said Grantee its successors, and assigns, under and subject to the reservation restrictions, and conditions, exceptions and rights hereinafter set out, all its right, title, and interest in the following described property situated in the County of Los Angeles, State of California to wit:

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

Beginning at the northeasterly corner of said Lot 1; thence along the East line of said Lot 1, South $0^{\circ} 03' 45''$ East 4302.77 feet to the center line of the Pacific Coast Highway, 100 feet wide, as described in the deed to the State of California recorded in Book 12743, Page 23 of Official Records of said county; thence along said center line as follows:

South $89^{\circ} 56' 15''$ West 26.04 feet to the beginning of curve concave northerly and having a radius of 1146.28 feet; thence westerly along the arc of said curve 821.34 feet; thence North $49^{\circ} 00' 30''$ West 2390.48 feet; thence North $49^{\circ} 00' 56''$ West 11.96 feet to the beginning of a curve concave northeasterly and having a radius of 14,000 feet; thence along the arc of said curve 777.84 feet; thence North $45^{\circ} 49' 56''$ West 3481. feet to the beginning of a curve concave southwesterly; and having a radius of 3000 feet; thence northwesterly along the arc of said curve 400.42 feet to the intersection of said center line with the West line of said Lot 1; thence along said West line North $0^{\circ} 01' 26''$ West 1783.98 feet; thence South $51^{\circ} 45' 55''$ East 6984 feet; thence North $38^{\circ} 14' 05''$ East, 550 feet; thence North $51^{\circ} 45' 55''$ West 6534.21 feet to a point on the northeasterly line of said Lot 1, said last mentioned

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point being distant along said northeasterly line South $62^{\circ} 50' 50''$ East, 780.39 feet from the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the said northeasterly line of Lot 1, a distance of 5921.76 feet to the northeasterly corner of said Lot 1, the point of beginning, containing 385.463 acres, more or less;

Excepting therefrom:

PARCEL 1-A

An easement for embankment slopes upon, over and across that portion of said Lot 1 of Tract No. 9765, described as follows:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 3334.31 to the TRUE POINT OF BEGINNING OF PARCEL 1-A;

Thence South $54^{\circ} 37' 40''$ East a distance of 400.50 feet more or less; thence South $51^{\circ} 45' 55''$ East 2300 feet; thence South $46^{\circ} 03' 17''$ East 201 feet; thence North $51^{\circ} 45' 55''$ West 2900 feet to the true point of beginning;

and excepting therefrom:

PARCEL 1-B

An easement for road purposes upon, over and across the portion of said Lot 1 of Tract 9765, included within a strip of land 40 feet wide, being 20 feet on each side the following described center line:

Beginning at the most northerly corner of said Lot 1; thence South $62^{\circ} 50' 50''$ East along the northeasterly line of said Lot 1, a distance of 780.39 feet; thence South $51^{\circ} 45' 55''$ East 6534.31 feet; thence South $38^{\circ} 14' 05''$ West 230 feet to the TRUE POINT OF BEGINNING OF PARCEL 1-B;

Thence South $51^{\circ} 45' 55''$ East 159.79 feet; thence southwesterly 133.72 feet along the arc of a curve concave northeasterly and having a radius of 200 feet; thence North $89^{\circ} 55' 35''$ East 50.37 feet, to a point on the westerly prolongation of the center line of 251st Street, shown as Almond Street on map recorded in Book 17, page 125 of Maps, in the office of the County Recorder of Los Angeles County, State of California, said point being South $0^{\circ} 03' 45''$ East, 25 feet from the southwest corner of Lot 10 of Tract No. 592 as shown on said map recorded in Book 17, page 125 of Maps;

and excepting therefrom:

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PARCEL 1-C

An easement for drainage facilities upon, over and across that portion of said Lot 1 of Tract No. 9765, included within a strip of land 52 feet wide, being 26 feet on each side of the following described center line:

Beginning at a point on the northeasterly line of said Lot 1, distant thereon, South $62^{\circ} 50' 50''$ East 3978.62 feet from the most northerly corner of said Lot; thence South $0^{\circ} 50' 55''$ East, 782.14 feet; thence South $15^{\circ} 09' 05''$ West 848.57 feet;

Thence southwesterly along a curve concave northwesterly, tangent to last described line and having a radius of 520.60 feet; through an angle of $49^{\circ} 30'$ and an arc distance of 449.77 feet; thence tangent South $64^{\circ} 39' 05''$ West, 605 feet to a point in an existing drainage channel:

AND ALSO, an easement for drainage facilities upon, over and across that portion of said Lot 1, included within a strip of land 32 feet wide, being 16 feet on each side of the following described center line:

Beginning at the Southerly terminus of that certain course herein described as having a length of 848.57 feet; thence southeasterly along a curve concave northeasterly, tangent to said course having a length of 848.57 feet and having a radius of 550 feet, through an angle of $41^{\circ} 00'$, an arc length of 393.57 feet; thence tangent South $25^{\circ} 50' 55''$ East, a distance of 574.06 feet; thence southerly along a curve concave Westerly, tangent to last described course and having a radius of 500 feet, through an angle of $25^{\circ} 39'$, an arc distance of 223.84 feet; thence tangent South $0^{\circ} 11' 55''$ East, a distance of 200 feet to a point in an existing drainage channel.

TOGETHER WITH those certain chattel enumerated in Exhibit "B" attached hereto and made a part hereof; and TOGETHER WITH all buildings, structures, and improvements located thereon, except those thirty-four (34) structures hereinafter enumerated, and described in a certain inventory attached hereto and made a part hereof, marked Exhibit "A", and located on that portion of the demised premises more particularly described in said Exhibit "A", being a part of the same property acquired by the United States of America under proceedings in condemnation had in Case No. 2527-PH, Civil, of record in the District Court of the United States, Southern District of California, Central Division.

The above-described premises are transferred subject to the following encumbrances: All existing easements for roads, highways, public utilities, railways, and pipe lines; leasehold interest executed by the Grantor as Lessor and by A.P. Wright as

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Lessee, designated as Lease No. W-04-193-Eng.-4974, dated April 1, 1945; and the right of the United States of America to occupy use and maintain in place, together with reasonable means of ingress and egress without payment to the Grantee, its successors, or assigns, all the buildings and structures enumerated in Exhibit "A", and located on the demised premises.

EXCEPTING, HOWEVER, from this conveyance all right, title and interest in and to all property in the nature of equipment, furnishings, and other personal property which can be removed from the land without material injury to the land or structures located thereon other than those chattels enumerated in Exhibit "B"; and reserving to the Grantor the right of removal from the premises of the personal property excepted hereby within a reasonable period of time after the date hereof, which shall not be construed to mean any period less than one (1) year after the date of this instrument.

AND FURTHER EXCEPTING, from this conveyance and reserving to the GRANTOR, in accordance with Executive Order 9908 approved December 5, 1947 (12 F.R. 8223), 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 the lands covered by this instrument, together with the right of the United States through its authorized agents or representatives at any time to enter upon the land and prospect for, mine, and remove the same, making just compensation for any damage or injury occasioned thereby. However, such land may be used, and any rights otherwise acquired by this disposition may be exercised, as if no reservation of such material had been made; except that, when such use results in the extraction of any such material from the land in quantities which may not be transferred or delivered without a license under the Atomic Energy Act of 1946, as it now exists or may hereafter be amended, such material shall be the property of the United States Atomic Energy Commission, and the Commission may require delivery of such material to it by any possessor thereof after such material has been separated as such from the ores in which it was contained. If the Commission requires the delivery of such material to it, shall pay to the person mining or extracting the same, or to such other person as the Commission determines to be entitled thereto such sums, including profits as the Commission deems fair and reasonable for the discovery, mining, development, production, extraction and other services performed with respect to such material prior to such delivery, but such payment shall not include any amount on account of the value of such material before removal from its place of deposit in nature. If the Commission does not require delivery of such material to it, the reservation hereby made shall be of no further force or effect.

AND FURTHER EXCEPTING from this conveyance and reserving to the Grantor all minerals, other than those specifically mentioned in the last paragraph above, and all petroleum in the above described 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 conveyance

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ient means of working and transporting the materials and supplies; and reserving unto the Grantor the exclusive right at any time to drill from adjacent premises into and through the sub-surface of the land hereby transferred, in order to recover, remove, and transport therefrom any minerals or petroleum herein reserved. By accepting this instrument, or any rights hereunder, the said Grantee hereby releases the Grantor from any and all liability for all claims and losses or damage arising out of the exceptions and reservations above.

Said property transferred hereby was duly declared surplus and was assigned to the War Assets Administration for disposal, acting pursuant to the provisions of the above-mentioned Act, as amended, Executive Order 9689, and applicable rules, regulations, and orders.

By the acceptance of this deed or any rights hereunder, the said Grantee, for itself, its successors, and assigns agrees that transfer of the property transferred by this instrument, is accepted subject to the following restrictions set forth in subparagraphs (1) and (2) of this paragraph, which shall run with the land, imposed pursuant to the authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944, as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations, and orders:

(1) That all of the property transferred hereby, hereafter in this instrument called the "airport", shall be used for public airport purposes, and only for such purposes, on reasonable terms and without unjust discrimination and without grant or exercise of any exclusive right for use of the airport within the meaning of Section 303 of the Civil Aeronautics Act of 1938.

(2) That the entire landing area, as hereinafter defined, and all structures, improvements, facilities, and equipment of the airport shall be maintained at all times in good and serviceable condition to assure its efficient operation; provided, however, that such maintenance shall be required as to structures, improvements, facilities, and equipment only during the remainder of their estimated life, as determined by the Civil Aeronautics Administration or its successor Government agency. In the event materials are required to rehabilitate or repair certain of the aforementioned structures, improvements, facilities, or equipment they may be procured by demolition of other structures, improvements, facilities, or equipment transferred hereby and located on the above-described premises, which have outlived their use as airport property in the opinion of the Civil Aeronautics Administration or its successor Government agency.

By the acceptance of this deed or any rights hereunder, the said Grantee for itself, its successors, and assigns, also assumes the obligations of, covenants to abide by, and agrees to, and this transfer is made subject to, the following reservations and restrictions set forth in subparagraphs (1) to (6) of this paragraph, which shall run with the land, imposed pursuant to the

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authority of Article 4, Section 3, Clause 2 of the Constitution of the United States of America, the Surplus Property Act of 1944 as amended, Reorganization Plan 1 of 1947 (12 F.R. 4534), and applicable rules, regulations and orders:

(1) That insofar as is within its power and reasonably possible, the Grantee and all subsequent transferees shall prevent any use of land either within or outside the boundaries of the airport, including the construction, erection, alteration, or growth of any structure or other object thereon, which use would be a hazard to the landing, taking-off, or maneuvering of aircraft at the airport, or otherwise limit its usefulness as an airport.

(2) That the building areas and non-aviation facilities as such terms are hereinafter defined, of or on the airport shall be used, altered, modified, or improved only in a manner which does not interfere with the efficient operation of the landing area and of the airport facilities, as hereinafter defined.

(3) That itinerant aircraft owned by the United States of America (hereinafter sometimes referred to as the "Government or operated by any of its employees or agents on Government business shall at all times have the right to use the airport in common with others; Provided, however, that such use may be limited as may be determined at any time by the Civil Aeronautics Administration or its successor Government agency to be necessary to prevent interference with use by other authorized aircraft, so long as such limitation does not restrict Government use to less than twenty-five (25) per centum of capacity of the landing area of the airport. Government use of the airport by virtue of the provisions of this subparagraph shall be without charge of any nature other than payment for damage caused by such itinerant aircraft.

(4) That during the existence of any emergency declared by the President of the United States of America or the Congress thereof, the Government shall have the right without charge, except as indicated below, to the full, unrestricted possession, control, and use of the landing area, building areas, and airport facilities, as such terms are hereinafter defined, or any part thereof, including any additions or improvements thereto made subsequent to the declaration of any part of the airport as surplus. Provided, however, that the Government shall be responsible during the period of such use for the entire cost of maintaining all such areas, facilities, and improvements, or the portions used, and shall pay a fair rental for the use of any installations or structures which have been added thereto without Federal aid.

(5) That no exclusive right for the use of any landing area or air navigation facilities, included in or on the airport shall be granted or exercised.

(6) That the property transferred hereby may be successively transferred only with the approval of the Civil Aeronautics Administration or its successor Government agency, and with the proviso that any such subsequent transferee assumes all the obligations imposed upon the Grantee by the provisions of this instrument.

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As used in this Quitclaim Deed, the following terms shall have the following meanings:

(a) "Landing Area" means any land, or combination of water and land, together with improvements thereon and necessary operational equipment used in connection therewith, which is used for landing, take-offs, and parking of aircraft. The term includes but is not limited to, runways, strips, taxiways, and parking aprons.

(b) "Building Area" means any Land other than a landing area, used or necessary for or in connection with the operation or maintenance of an airport.

(c) "Non-aviation facilities" means any building, structures, improvements and equipment located in a building area and used in connection with, but not required for the efficient operation and maintenance of the landing area or the airport facilities.

(d) "Airport facilities" means any buildings, structures, improvements and operational equipment other than non-aviation facilities, which are used and necessary for or in connection with the operation and maintenance of an airport.

By acceptance of this instrument or any rights hereunder, the Grantee further agrees with the Grantor as follows:

(1) That upon a breach of any of the aforesaid reservations or restrictions by the Grantee or any subsequent transferee, whether caused by the legal inability of said Grantee or subsequent transferee to perform any of the obligations herein set out, or otherwise, the title, right of possession, and all other rights transferred to the Grantee, or any portion thereof, shall at the option of the Grantor revert to and become the property of the United States of America upon demand made in writing by the War Assets Administration or its successor Government agency at least sixty (60) days prior to the date fixed for the revesting of such title, right of possession, and other rights transferred, or any portion thereof; Provided, that, as to installations or structures which have been added to the premises without Federal aid, the United States of America, shall have the option to acquire title to or use of the same at the then fair market value of the rights therein to be acquired by the United States of America.

(2) That if the construction as covenants of any of the foregoing reservations and restrictions recited herein as covenants, or the application of the same as covenants in any particular instance is held invalid, the particular reservations or restrictions in question shall be construed instead merely as conditions upon the breach of which the Grantor may exercise its option to cause the title, right of possession and all other rights transferred to the Grantee, or any portion thereof, to revert to the United States of America, and the application of such reservations or restrictions as covenants in any other instance and

Recorded May 13, 1948
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the construction of the remainder of such reservations and restrictions as covenants shall not be affected thereby.

TO HAVE AND TO HOLD the said premises, with appurtenances, except those rights excepted and reserved above, and under and subject to the aforesaid reservations, restrictions, and conditions, unto the said Grantee, its successors, and assigns forever.

IN WITNESS WHEREOF, the Grantor has caused these presents to be executed as of the day and year first above written.

THE UNITED STATES OF AMERICA
 Acting by and through
 WAR ASSETS ADMINISTRATION

By s/ ROBERT P. ALFORD
 DEPUTY REGIONAL DIRECTOR
 For Real Property Disposal
 Los Angeles Regional Office
 War Assets Administration

WITNESSES:

s/ Devera L. Scholnek

s/ Doris Goodman

EXHIBIT "E"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 and the estate hereby created without liability therefor or at the election of the City or the United States, either or both said Governments shall 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 corporate 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.

EXHIBIT G

LIST OF EXISTING SUBLEASES

TORRANCE TOWNE CENTER

<u>ADDRESS</u>	<u>TENANT</u>
2777 PCH	PEI WEI ASIAN DINER
25435 CRENSHAW	BANK OF AMERICA
2745 PCH	BIG 5 SPORTING GOODS
2755-E PCH	BOATER'S WORLD
2775 PCH	SMART & FINAL
25415 CRENSHAW	CIRCUIT CITY STORES, INC.
2795 PCH	KRISPY KREME
25365-E CRENSHAW	FANTASTIC SAMS
25345-C* CRENSHAW	COFFEE BEAN & ROEBEKS JUICE
2785-F PCH	IMPRESSION NAIL SALON
2705 PCH	JACK IN THE BOX
25345-A CRENSHAW	JACKSON FEDERAL BANK
2785-G PCH	KINDER CARE LEARNING
25375 CRENSHAW	KOHL'S DEPARTMENT STORE
2755-A PCH	KAN - FUKAMOTO
2785-E PCH	THE UPS STORE
25343 CRENSHAW	MIMI'S CAFÉ
25361 CRENSHAW	PARTY AMERICA
2755-G PCH	TTC CLEANERS
25355 CRENSHAW	EQ3 FURNITURE
2755-J PCH	MODERN BEAUTY SUPPLY
2731 CRENSHAW	GAETANO'S
2733 PCH	OFFICE BLDG
	A PANERA BREAD
	B VACANT (COSMETICS SPACE)
	C STAN'S STEAKHOUSE
	D EXECUTIVE OFFICES
	E CINGULAR WIRELESS
	F NEXTEL COMMUNICATIONS

*FINAL ADDRESSES TBD