

Council Meeting of
January 8, 2008

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

Members of the City Council:

SUBJECT: City Manager – Authorize Assignment, Assumption and Consent to Assign Sub-Lease

RECOMMENDATION

Recommendation of the City Manager that City Council authorize the Mayor to Execute and City Clerk to Attest to an Assignment, Assumption and Consent to Deemed Assignment of Sub-Lease through a stock purchase from RAAMCO Motors Inc., to DCH TL Holding, LLC for a Sub-Lease on a portion of a Leasehold on City-owned property located at 24751 Crenshaw Boulevard in the City of Torrance for vehicle storage.

FUNDING

Funding is not required for this item.

BACKGROUND/ANALYSIS

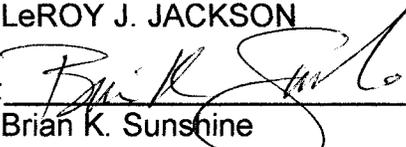
The City Council consented to a Sub-Lease to the operator of Torrance Toyota to use a portion of the Lexus Service Center for vehicle storage. The approval was given April 18, 2006(Attachment B). The Master Lease for the Toyota Dealership is being sold to DCH TL Holding, LLC through a stock purchase. The proposed new owner has requested that the Sub-Lease be transferred as well. In order to allow this transaction, consent of the City Council is required.

The Sub-Lease parallels the initial term of the Master Lease of the Lexus Service Center which is set to expire September 17, 2017. There is an option to extend an additional ten years provided the Master Tenant exercises their option. The option would extend the Sub-Lease to September 17, 2027.

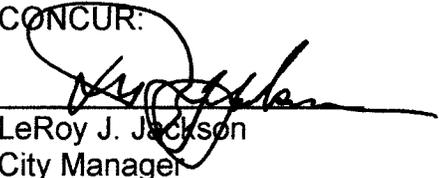
Staff recommends that Your Honorable Body consent to this transaction.

Respectfully submitted,

LeROY J. JACKSON

By: 
 Brian K. Sunshine
 Assistant to the City Manager

CONCUR:


 LeRoy J. Jackson
 City Manager

Attachments:

- A. Consent to transfer Sub-Lease
- B. Council Item dated April 18, 2006

RECORDING REQUESTED BY

Schröder Comis Nelson & Kahn LLP

And When Recorded, Mail To:

DCH TL HOLDINGS LLC
 c/o Schröder Comis Nelson & Kahn LLP
 300 Esplanade Drive, Suite 1170
 Oxnard, California 93036-0238

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**DEEMED ASSIGNMENT, ASSUMPTION AND CONSENT TO DEEMED
 ASSIGNMENT OF THE DECEMBER 1, 2005 ADKINS FAMILY TRUST SUBLEASE
 RE: REAL PROPERTY AT 24751 CRENSHAW BLVD., TORRANCE, CALIFORNIA**

**THIS DEEMED ASSIGNMENT, ASSUMPTION AND CONSENT TO DEEMED
 ASSIGNMENT OF THE DECEMBER 1, 2005 ADKINS FAMILY TRUST SUBLEASE RE:
 REAL PROPERTY AT 24751 CRENSHAW BLVD., TORRANCE, CALIFORNIA** ("Agreement") is made and entered into as of this 8th day of January, 2008, by and among **RAAMCO MOTORS, INC.**, a California Corporation, dba Torrance Toyota and Torrance Scion ("RAAMCO" or "Deemed Assignor"), as Sublessee under the terms of a specific written sublease dated December 1, 2005, more particularly described in Recital A, below, **DCH TL HOLDINGS LLC**, a Delaware Limited Liability Company, as the purchaser of all outstanding shares of stock of RAAMCO ("DCH TL" or "Deemed Assignee") and the **CITY OF TORRANCE**, a Municipal Corporation ("City" or "Torrance"), as Lessor under the terms of a specific amended and restated Lexus lease with the Adkins Family Trust dated February 7, 2006, more particularly described in Recital A, below. RAAMCO, DCH TL and City are collectively sometimes referred to herein as the "Parties."

RECITALS

A. The City and William J. Adkins, Trustee of the Adkins Family Trust dated April 16, 1991, executed an amended and restated lease dated February 7, 2006 ("Lexus Lease"), covering certain real property commonly known as 24751 Crenshaw Boulevard, Torrance, California ("Leased Premises") at the Torrance Municipal Airport. Prior to the City and the Adkins Family Trust entering into the February 7, 2006 amended and restated Lexus Lease, the Adkins Family Trust entered into a particular Sublease dated December 1, 2005 with RAAMCO ("Sublease") covering a portion of the real property located at 24751 Crenshaw Boulevard, Torrance, California, as depicted on Exhibit A attached hereto ("Subleased Premises") and this Sublease was duly consented to by the City. Consistent with the terms of the Sublease, the Subleased Premises are being used by RAAMCO in connection with the operation of Torrance Toyota and Torrance Scion as set forth in Paragraph 1.7 of the Sublease.

B. On or about July 19, 2007, RAAMCO entered into a Stock Purchase Agreement with DCH TL, whereby subject to specific conditions RAAMCO agreed to sell and DCH TL agreed to purchase one hundred percent (100%) of the issued and outstanding shares of RAAMCO (the "Stock

Purchase Agreement"). The Close of Escrow on the Stock Purchase Agreement has now been scheduled to occur on January 9, 2008.

C. RAAMCO and DCH TL recognize that Section 21(A) of the Lexus Lease expressly identifies a completed transaction such as the proposed stock sale between RAAMCO and DCH TL to be a "deemed" assignment of the Sublease ("Deemed Assignment"), requiring the City's prior written consent.

D. In recognition of the requirements of Section 21(A)(7) of the Lexus Lease, RAAMCO and DCH TL have each expressly conditioned the Close of Escrow on the Stock Purchase Agreement on the City providing its written consent to the Deemed Assignment of the Sublease to DCH TL prior to January 9, 2008.

E. Finally, and in recognition of the requirements of Section 21(A)(7) of the Lexus Lease setting forth specific information and commitments of DCH TL associated with the City consenting to the Deemed Assignment, and with the good faith belief that it is in the public's best interest that the Stock Purchase Agreement be consummated and that the City consent to the Deemed Assignment of the Sublease, the Parties have entered into the within Agreement.

NOW, THEREFORE, the Parties agree to each of the above Recitals, which are hereby incorporated herein, and each of the following terms as the same expressly relate or pertain to the respective parties hereto.

1. **AUTHORITY TO ASSIGN**. RAAMCO represents that it is the lawful Sublessee by means of a written assignment of the Sublease which was duly consented to by the City in accordance with the requirements of the Lexus Lease.

2. **RAAMCO'S DESIRE TO SELL ITS SHARES**. RAAMCO and DCH TL desire to consummate their Stock Purchase Agreement on or about January 9, 2008 whereby RAAMCO shall remain the Subtenant of the Subleased Premises under the terms of the Sublease, but with DCH TL owning all outstanding shares of RAAMCO and RAAMCO electing new officers and directors to hold office immediately after the Close of Escrow.

3. **REPRESENTATIONS OF RAAMCO**. RAAMCO represents to DCH TL as follows:

- a. RAAMCO is the sole and current Sublessee under the Sublease.
- b. RAAMCO is not in default of any of its obligations under the Sublease.
- c. The Lexus Lease and Sublease identified herein constitute the complete agreement between the City, the Adkins Trust and RAAMCO pertinent to the Subleased Premises.
- d. RAAMCO is authorized to issue 1,000,000 shares of stock (common shares with no par value) of which 34,000 is the total issued and outstanding shares and all 34,000 shares are being sold to DCH TL under the terms of the Stock Purchase Agreement.

4. **REPRESENTATIONS OF DCH TL**. DCH TL represents to RAAMCO and the City the following:

- a. DCH TL is a Delaware Limited Liability Company, and upon the consummation of the Stock Purchase Agreement it will own all of the issued and outstanding shares of RAAMCO, which shall remain the Sublessee.
- b. The Directors of DCH TL are and will be upon the Close of Escrow:

Shau-wai Lam
 Billy F.B. Wong
 Susan Scarola

- c. The Officers of DCH TL are and will be upon the Close of Escrow:

Shau-wai Lam Chairman of the Board
 Susan Scarola President and Chief Executive Officer
 George Liang Senior Vice President
 Tze-Yin Lai Vice President and Assistant Secretary
 Phil Landever Secretary
 John Bruther Director, Accounting & Finance

- d. Upon the Close of Escrow of the Stock Purchase Agreement, the Directors of RAAMCO will be:

Shau-wai Lam
 Billy F.B. Wong
 Susan Scarola

- e. Upon the Close of Escrow of the Stock Purchase Agreement, the Officers of RAAMCO will be:

Shau-wai Lam Chairman of the Board
 Susan Scarola President and Chief Executive Officer
 George Liang Senior Vice President
 Tze-Yin Lai Vice President and Assistant Secretary
 Phil Landever Secretary
 John Bruther Director, Accounting & Finance

f. DCH TL acknowledges and agrees that upon consummation of the Stock Purchase Agreement, whereby DCH TL becomes the vested owner of all issued and outstanding shares of stock of RAAMCO, RAAMCO shall remain bound by all the terms, covenants and conditions of the Sublease to be performed by RAAMCO, as described above.

g. DCH TL's address is 955 Route 9 North, South Amboy, New Jersey 08879.

h. Notices shall be served upon RAAMCO at RAAMCO Motors, Inc., c/o Torrance Toyota, 2955 Pacific Coast Highway, Torrance, California 90505, unless the City is otherwise notified in writing in the manner provided in the Lexus Lease.

i. The Close of Escrow on the stock sale to DCH TL will not alter the use of the Subleased Premises by the current Sublessee, RAAMCO.

5. **REPRESENTATIONS OF CITY**. The City represents to DCH TL and RAAMCO as follows:

a. City is the owner in fee of the described Subleased Premises and is the Lessor under the Lexus Lease.

b. City is a municipal corporation organized in the State of California and was authorized by law to enter into the Lexus Lease and is authorized to enter into this Agreement.

c. To the best of City's knowledge, the Adkins Trust is not, as of the date of this Agreement, in default of any of its obligations under the Lexus Lease.

d. The Lexus Lease and this Agreement constitute the complete agreement between the City, as Lessor, and the Adkins Trust, as Lessee, regarding the Subleased Premises other than the City's prior consent to the Sublease.

6. **SURVIVAL OF REPRESENTATIONS.** All representations made by any of the Parties hereto shall be effective as of the effective date and time of this Agreement. Any party receiving information prior to the Close of Escrow that any representation and warranty is not as set forth in this Agreement shall give prompt written notice of such fact to the other parties to this Agreement.

7. **CITY'S CONSENT.** City consents to the Deemed Assignment on the conditions set forth herein and without waiving the Lexus Lease restriction concerning further assignment or sublease.

8. **EFFECTIVE DATE OF ASSIGNMENT.** The Deemed Assignment, with the City's consent, shall take effect on the 9th day of January, 2008, or on such other date of the Close of Escrow of the transaction between RAAMCO and DCH TL under the terms of the Stock Purchase Agreement and any amendments thereto, provided that upon the Close of Escrow all issued and outstanding shares of RAAMCO's stock shall be owned by DCH TL and RAAMCO shall remain the Sublessee in possession of the Subleased Premises, all as represented in this Agreement.

9. **CONDITIONS TO OBLIGATIONS OF THE PARTIES.** All obligations of the respective Parties, at the option of any party not responsible for a material failure or non-occurrence of any condition, including, but not limited to, the City's consent to the Deemed Assignment to RAAMCO, are subject to the following: (a) The Close of Escrow under the terms of the Stock Purchase Agreement, as amended, as summarized in Paragraph 8, above; and (b) Delivery of written notice to the City by RAAMCO that the Close of Escrow has occurred, with all of the issued and outstanding shares of RAAMCO acquired by DCH TL, plus confirmation that the representations of DCH TL contained in Paragraph 4 hereof remain true and correct.

10. **MISCELLANEOUS.**

a. **Attorneys' Fees.** If any party commences an action against any of the parties hereto arising out of or in connection with this Agreement, the prevailing party or parties shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs of suit.

b. **Notice.** Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent in accordance with the terms of this Agreement and the Lexus Lease.

c. **Counterparts.** This Agreement may be signed in counterparts.

d. **Effective Date.** This Agreement shall be effective when signed by all the signatories hereto. The City Clerk of the City shall assign the date in the space provided below.

Dated: January 8, 2008.

TORRANCE:

CITY OF TORRANCE,
A Municipal Corporation

By _____
Frank Scotto, Mayor

Signatures Continue

ATTEST:

APPROVED AS TO FORM:

JOHN L. FELLOWS III, City Attorney

By _____
Sue Herbers, City Clerk

By _____
Ron Pohl, Assistant City Attorney

DEEMED ASSIGNOR/SUBLESSEE:

DEEMED ASSIGNEE:

RAAMCO MOTORS, INC.,
A California Corporation

DCH TL HOLDINGS LLC,
A Delaware Limited Liability Company

By _____
Alfredo S. Sheng, President

By _____
T.Y. Lai, Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

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

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

Council Meeting of
April 18, 2006

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

Members of the Council:

SUBJECT: Consent to Sub-lease C2006-022

RECOMMENDATION

It is the recommendation of the Land Management Team that the City Council consent to a sub-lease of City-owned property Master Leased to WILLIAM J. ADKINS, TRUSTEE OF THE ADKINS FAMILY TRUST ESTABLISHED 1991 (LESSEE) and RAAMCO Motors Inc., a California Corporation (Sub-Lessee) for a portion of the Leasehold located at 24751 Crenshaw Boulevard.

FUNDING

There is no funding required for this action.

BACKGROUND

The subject Lease was approved by the City Council on October 25, 2005. A provision in the Lease allows for sub-letting provided the City Council approves the sub-lease and the use matches the provisions of the Lease as excerpted below:

USE

Lessee's use of the Leased Premises shall be limited to vehicle repair, service, parts and accessories, storage and body shop uses and 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. Not by way of limitation of the foregoing, the sale and/or leasing of vehicles from the Leased Premises is expressly prohibited hereunder.

ANALYSIS

The proposed sub-lessee, RAAMCO Motors, Inc., does business as Torrance Toyota and is located on City-owned property located at 2955 Pacific Coast Highway. The dealership is in need of a long-term solution for vehicle storage and approached the Master Tenant to utilize a portion of the Leasehold.

The area proposed for the sub-lease will not impede the overall operation and development of the site for the Leased use as a service center for South Bay Lexus.

The initial term of the sub-lease parallels the initial term of the Master Lease which expires September 17, 2017. There is an option to extend an additional ten years provided the Master Tenant exercises their option. The option would extend the sub-lease to September 17, 2027.

The proposed sub-lease will resolve some of the storage issues being experienced along the dealership area located along the Pacific Coast Highway corridor. The sub-lease will not interfere with the expansion of the Lexus service center or the need to store vehicles for that operation; therefore, staff recommends concurrence in this sub-lease from Your Honorable Body.

Respectfully submitted,

LeROY J. JACKSON

By: 

Brian K. Sunshine
Assistant to the City Manager

Concur:



LeRoy J. Jackson

for City Manager

Attachments:

- a) Transmittal letter dated March 24, 2006
- b) Sublease Agreement

March 24, 2006

Mr. Brian Sunshine
 Assistant to the City Manager
 City of Torrance
 3031 Torrance Boulevard
 Torrance, CA 90503

Re: Request to Sublet Portion of 24751 Crenshaw Blvd., Torrance

Dear Brian:

We would appreciate your transmission of this Request to Sublet to the Mayor and City Council. In accordance with paragraph 21. A. (1) of the Amended and Restated Lease, dated February 7, 2006, between the City of Torrance (Lessor) and William J. Adkins, Trustee of the Adkins Family Trust Established April 16, 1991 (Lessee), we hereby respectfully request that the Lessor approve the attached Sublease Agreement for a portion of the above referenced property. This proposed Sublease is between the Lessee, designated as Landlord on the attached Sublease and Raamco Motors, Inc. (Torrance Toyota) designated as Tenant.



APPLEGATE
 COMPANY

3878 Carson Street
 Suite 101
 P.O. Box 13666
 Torrance, CA
 90503-0666

Tel: 310.540.4467
 Fax: 310.540.3883

Email:
 cominsense
 @msn.com

We would like to highlight the following items contained in the proposed Sublease:

Premises: Approximately 69,607 square feet of vacant land in the southwest corner of Landlord's property as shown in Exhibit "A" of the Sublease, depicted as the hash-lined area, not including the 29,000 square foot building (16.96% of the total property).

Term: Beginning March 1, 2006 and expiring September 17, 2017.

Option to Extend: Provided Landlord exercises its 2nd 10 year option, Tenant shall have one option to extend the Sublease period for an additional 10 years (to September 17, 2027).

Rent: For the first five years without adjustment, \$20,000.00 per month. Base rent shall be adjusted for CPI during years 6 through 12 with a cap of 4% per year for years 7-12.

Additional Rent: From year 6 through the end of the Sublease, Tenant shall reimburse Landlord for 16.96% of the land portion of real estate taxes and assessments.

Use: The uses are consistent with the approved uses on the property contained in the Amended and Restated Lease.

As you already know, we were requested by Toyota Motor Sales to accommodate the needs of Torrance Toyota to the best of our ability. With an almost 22 year lease (including option) we feel we have met that request and have also helped protect the long term viability of the Toyota family dealerships in the City of Torrance.

On behalf of Bill Adkins and the Lexus team, we would again like to thank the City Council, City Manager's staff and City Attorney's staff for all of the help and cooperation during this entire process.

Sincerely,



William C. Applegate

w/attachment-Raamco Sublease

cc: William J. Adkins w/o att.
Robert J. Wills w/o att.



SUBLEASE AGREEMENT

1. Basic Provisions

1.1 Parties: This Sublease Agreement (referred to herein as the "**Lease**"), dated December 1, 2005, is made by and between William J. Adkins, Trustee of the Adkins Family Trust dated 4/16/91 ("**Landlord**"), located at 3215 Pacific Coast Highway, Torrance, California 90505, and Raamco Motors Inc., a California corporation ("**Tenant**") d.b.a. Torrance Toyota, located at 2955 Pacific Coast Highway, Torrance, CA 90505 (collectively the "**Parties**" or individually a "**Party**").

1.2 Premises: That certain real property as depicted on **Exhibit "A"**, located at the property commonly known as 24751 Crenshaw Boulevard in the City of Torrance (County of Los Angeles), California ("**Premises**"). (See also Paragraph 2.1)

1.3 Term: The term of this Lease will begin on March 1, 2006 ("**Commencement Date**") and expire on September 17, 2017 (the "**Lease Term**").

1.3.1 Option to Extend Term. Provided that, (i) Landlord, in Landlord's sole and absolute discretion, elects to exercise his option to extend the term of the Master Lease by 10 years (to September 17, 2027), and (ii) Tenant is not in default under this Lease, Tenant shall have one option (the "**Extension Option**") to extend the Lease Term for an additional period of 10 years (the "**Option Term**") on the same terms, covenants and conditions as provided for in this Lease, except as set forth in this Paragraph. The Base Rent during the first year of the Option Term shall be adjusted to the Fair Rental Value. "**Fair Rental Value**" shall mean the amount determined by the parties to be the fair market value of the Premises, exclusive of any improvements thereon, based upon vehicle repair, storage and body shop uses, multiplied by a 7.5% annual rate of return. Notwithstanding the Fair Rental Value analysis, in no event shall (a) the Base Rent decrease from the Base Rent paid during the last year of the initial Lease Term, or (b) the Base Rent increase by more than 150% from the Base Rent paid during the last year of the initial Lease Term (for instance, if the last year's rent of the initial lease period is \$24,000, then the first year's rent of the next option period could not exceed \$36,000). The date of the first anniversary of the Option Term, and the same day of each subsequent Lease year, shall be an Adjustment Date. Effective on each Adjustment Date during the Option Term, the Base Rent payable by Tenant shall be the greater of (i) 102% of the Base Rent paid by Tenant during the immediately preceding Lease year, or (ii) the Base Rent paid by Tenant during the immediately preceding Lease year multiplied by a fraction the numerator of which is the level of the Index for the month that is 2 months preceding such Adjustment Date ("**Adjustment Index**") and the denominator of which is the level of the Index for the month that is 2 months preceding the month in which the Option Term commenced. Notwithstanding anything contained in the preceding sentence, in no event shall the Base Rent increase on any Adjustment Date during the Option Term be more than 5% of the Base Rent paid by Tenant during the immediately preceding Lease year. If the parties cannot agree on the Fair Rental Value of the Premises, then such Fair Rental Value shall be determined in accordance with the arbitration or other alternative means provided for in the Master Lease for determining Fair Rental Value. The Extension Option must be exercised, if at all, by written notice delivered to Landlord no later than the date

which is 12 months prior to the expiration of the then current Lease Term.

1.4 Base Rent: Base Rent shall be \$20,000 per month, payable on the first day of each month during the first 5 years of the initial Lease Term. Base Rent shall be adjusted during years 6 through 12 of the initial Lease Term as provided for in Section 4 below.

1.5 Security Deposit: None.

1.6 First Month's Rent: Base Rent for the first month shall be payable upon execution of this Lease by Tenant.

1.7 Agreed Use: Tenant shall use the Premises solely for parking of employee vehicles at times such employees are working at Torrance Toyota, and for the parking of Tenant's passenger automobiles, light trucks (2-axels), vans or sport utility vehicles that are part of Tenant's unsold inventory (the "**Agreed Use**"). No items may be stored in any of the vehicles. Tenant may not conduct any sales, advertising, or marketing activities on the Premises. Tenant shall not place any sign upon the Premises without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

1.8 Tenant acknowledges and understands that Landlord is the Lessee of the Premises pursuant to that certain Amendment of Lease and Agreement dated March 11, 1959, as amended (the "**Master Lease**"), with the City of Torrance, a municipal corporation, as Lessor. This Lease is subject and subordinate to the Master Lease and Tenant shall comply with the terms of the Master Lease as it may be subsequently amended.

2. Premises.

2.1 Letting. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises for the Lease term and upon all of the terms, covenants and conditions set forth in this Lease. Landlord shall deliver the Premises to Tenant on the Commencement Date. Tenant accepts the Premises "as is". Landlord shall not be obligated to maintain, repair, or replace any improvements on the Premises. Tenant acknowledges that portions of the Premises may not be available for Tenant's use due to easements and other conditions that may affect the Premises. Tenant has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease.

3. Rent. All monetary obligations of Tenant to Landlord under the terms of this Lease are deemed to be rent. Tenant shall cause payment of Rent to be received by Landlord in lawful money of the United States, without offset or deduction, on or before the day on which it is due. Rent for any period during the term hereof which is for less than one full calendar month shall be prorated based upon the actual number of days of said month. Payment of rent shall be made to Landlord at its address stated herein or to such other person or place as Landlord may from time to time designate in writing.

4. Adjustment of Base Rent During Initial Lease Term; Additional Rent.

4.1 Adjustment of Base Rent During Initial Lease Term. As used herein the term “**Index**” shall mean the Consumer Price Index for all Urban Consumers published by the Bureau of Labor Statistics of the United States Department of Labor for Los Angeles-Anaheim-Riverside, CA, All Items (1982-84=100). As used herein the term “**Adjustment Date**” shall mean the first day of the 6th year of the Lease Term and the first day of each subsequent year of the Lease Term. Effective on each Adjustment Date, the monthly rent payable by Tenant hereunder shall be the greater of (i) the monthly rent paid by Tenant during the immediately preceding Lease year, or (ii) the monthly rent paid by Tenant during the first Lease year multiplied by a fraction the numerator of which is the level of the Index for the month that is 2 months preceding such Adjustment Date (“**Adjustment Index**”) and the denominator of which is the level of the Index for the month that is 2 months preceding the month in which the Commencement Date occurred. Notwithstanding anything contained in the preceding sentence, in no event shall the monthly rent increase on any Adjustment Date be more than 4% of the monthly rent paid by Tenant during the immediately preceding Lease year, with the exception of the adjustment made on the first day of the 6th Lease year which shall not be subject to such maximum adjustment (and the adjustments made during the Option Term, which shall be determined as provided for in Paragraph 1.3.1 above). If the Adjustment Index is not yet available on an Adjustment Date, Tenant shall continue to pay monthly rent without the adjustment provided for herein until such Adjustment Index is available. When the Adjustment Index becomes available, the adjustment required hereunder shall be effective retroactively to the Adjustment Date, and shall be payable commencing on the next due date for monthly rent. If the Consumer Price Index (“**CPI**”) ceases to use 1982-84=100 as the basis of calculation, or if in Landlord=s judgment a substantial change is made in the method used by the Federal Government to determine the CPI or the items used to calculate the CPI, then the Index shall be modified by Landlord to a figure that is as close as possible to the figure that would have resulted had the manner of calculating the CPI not been altered.

4.2 Additional Rent. Tenant shall reimburse Landlord for Tenant’s proportionate share (**16.96%**) of all payments by Landlord for the land portion only of real property taxes and assessments and other general, special, and supplemental impositions (including possessory interest taxes) applicable to the period beginning on the first day of the 6th Lease year and ending upon the expiration or termination of this Lease, which reimbursement shall be made within 10 days of written demand by Landlord. Tenant’s leased property is approximately 208.8 feet by 333.37 feet equaling 69,607 square feet. The total square footage of the property is approximately 410,335, therefore, creating the proportionate share of 16.96%.

5. Use.

5.1 Use. Tenant shall use and occupy the Premises only for the Agreed Use and for no other purpose. No use shall be permitted nor acts done which will cause a cancellation of any insurance policy covering Landlord’s buildings or property or any part thereof. Tenant shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to, neighboring properties.

5.2 Hazardous Substances. Tenant shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the

drainage or sewer system) and shall promptly, at Tenants expense, take all investigative and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was due to any condition caused or materially contributed to by Tenant, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Tenant, or any third party. The term "**Hazardous Substance**" as used in this Lease shall mean any product or substance whose presence or release is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Landlord to any governmental agency or third party under any applicable statute or common law theory. Tenant may use any ordinary and customary materials reasonably required in the normal course of the Agreed Use, so long as such use does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Landlord to any liability.

5.3 Alterations. Tenant shall not make any alterations or additions to the Premises without the prior written consent of Landlord, which may be given or withheld in Landlord's sole discretion. Unless otherwise agreed, all alterations and additions shall become the property of Landlord and shall remain on the Premises at the termination of this Lease; provided, however, that Landlord may require Tenant to remove any such alterations and restore the Premises to its former condition.

5.4 Tenant's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Tenant shall, at Tenant's sole expense, fully, diligently and in a timely manner, comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the reasonable recommendations of Landlord's engineers and/or consultants which relate in any manner to the Premises. The term "**Applicable Requirements**" shall mean all applicable laws, codes, regulations, rulings or decisions or other interpretations, rules ordinances, or other bodies of law.

5.5 Landlord's Access. Landlord and its agents shall have the right to enter the Premises at any time in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises, verifying compliance by Tenant with this Lease, showing the Premises to prospective purchasers or lessees, or making such alterations, repairs, improvements or additions to the Premises as Landlord deems necessary. Tenant agrees that in the event Landlord chooses to resurface or repave the Premises, Tenant will cooperate with Landlord, including but not limited to temporarily relocating its assets or belongings (for up to 48 hours) to alternate locations provided by Landlord in the vicinity of the Premises. All activities set forth in this Paragraph shall be without abatement of rent or liability to Tenant. Landlord may at any time place on the Premises any ordinary "For Sale" or "For Lease" signs.

6. Insurance; Indemnity.

6.1 Insurance. Tenant shall at its own expense, pay for all insurance required under this Section 6. Each insurance policy described in this Section 6 shall name Landlord, Tenant, and the City of Torrance as additional insureds. Tenant shall not do or permit to be done

anything that invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of each insurance policy described in this Section 6. No such policy shall be cancelable or subject to modification except after 30 days prior written notice to the additional insureds. Tenant shall, at least 30 days prior to the expiration of such policies, furnish Landlord with evidence of renewal. If the renewal is not confirmed, Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand.

6.2 Liability Insurance Carried by Tenant. Tenant shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Tenant and Landlord against claims for bodily injury, personal injury and property damage including Landlord employee vehicles, based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$1,000,000 per occurrence with an "Additional Insured-Managers or Landlords of Premises Endorsement and shall contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

6.3 Property Insurance: Tenant shall obtain and keep in force a policy or policies in the name of Landlord, with loss payable to Landlord, insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the improvements located on the Premises. Tenant shall insure all of Tenant's personal property. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage, including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Tenant shall be liable for such deductible amount in the event of an insured loss.

6.4 Worker's Compensation / Employer's Insurance. Tenant shall at all times maintain in effect; (i) insurance which shall comply with all applicable workers' compensation and occupational disease laws and which shall cover all employees of Tenant engaged in connection with the Premises; and (ii) Employer's Liability Insurance with a limit of not less than \$1,000,000 per occurrence.

6.5 Waiver of Subrogation. Tenant hereby waives any claim against Landlord for any loss covered by insurance of the type specified in this Section 6. Landlord hereby waives

any claim against Tenant for any loss covered by any insurance which Landlord may elect to maintain on the Premises to the extent of proceeds recoverable by Landlord therein, but only to the extent that such waiver is permitted under its policies of insurance without additional charge and will not cause to be voided any coverage therein. Subject to the limitations set forth above in this Paragraph, Tenant and Landlord shall each obtain from its respective insurance company a waiver of any right of subrogation that such company may have against Landlord or Tenant, as applicable.

6.6 Indemnity. Tenant shall indemnify, protect, defend and hold harmless the Premises, Landlord and Landlord's agents from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Tenant, which are not caused by the gross negligence or intentional act of Landlord or its agents. If any action or proceeding is brought against Landlord by reason of any of the foregoing matters, Tenant shall upon notice defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord and Landlord shall cooperate with Tenant in such defense. Landlord need not have first paid any such claim in order to be defended or indemnified.

7. Limitation of Liability. Landlord shall not be liable for injury or damage to the person or goods, wares, merchandise or other property of Tenant, Tenant's employees, contractors, invites, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, chemicals, dust, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, wires, appliances, or lighting fixtures or from any other cause, whether the said injury or damage results from conditions arising upon the Premises, or from other sources or places, unless caused by the grossly negligent or intentional act of Landlord or its agents. Landlord shall not be liable to Tenant for any unauthorized or criminal entry of third parties onto the Premises. Tenant hereby agrees that in no event shall Landlord be liable for consequential damages, including injury to Tenant's business or any loss of income. Landlord shall not be liable to Tenant for damages from any cause, except as expressly set forth in this Section 7.

8. Damage or Destruction. Tenant shall pay for all damage to the Premises and repairs required due to any act or negligence of Tenant or others. Landlord and Tenant agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

9. Assignment and Subletting. Tenant shall not assign or sublet the Premises or any part of same, without the prior written consent of Landlord, which consent may not be unreasonably withheld.

10. Default; Breach, Remedies.

10.1 Default; Breach. A "Default" is defined as a failure by the Tenant to comply with or perform any of the terms, covenants, conditions or rules under this Lease. A "Breach" is

defined as the occurrence of one or more of the following Defaults, and the failure of Tenant to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises, without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 6.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Tenant, to make any payment of rent when due hereunder, whether to Landlord or to a third party, to provide reasonable evidence of insurance, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of 3 business days following written notice to Tenant.

(c) The failure by Tenant to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the rescission of an unauthorized assignment or subletting, or (iii) any other documentation or information which Landlord may reasonably require of Tenant under the terms of this Lease, where any such failure continues for a period of 10 days following written notice to Tenant.

(d) A Default by Tenant as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted hereof, other than those described in subparagraphs 10.1(a), (b) or (c), above, where such Default continues for a period of 15 days following written notice to Tenant.

10.2 Remedies. If Tenant fails either, (i) to perform any of its affirmative duties or obligations, within 10 days after written notice (or in case of an emergency, without notice), or (ii) if performance of such duties or obligations will take longer than 10 days, to begin curing such failure to perform within the 10 day period and to diligently proceed to completely cure its performance thereafter, Landlord may, at its option, perform such duty or obligation on Tenant's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Landlord shall be due and payable by Tenant upon receipt of invoice. In the event of a Breach, Landlord may, with or without further notice or demand, and without limiting Landlord in the exercise of any right or remedy, which Landlord may have by reason of such Breach:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession to Landlord. In such event Landlord shall be entitled to recover from Tenant: (i) the worth, at the time of award, of the unpaid rent which had been earned at the time of termination; (ii) the worth, at the time of award, the amount by which the unpaid rent that would have been earned after the termination date of this Lease until the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; (iii) the worth, at the time of the award, of the amount by which the unpaid rent

for the balance of the Lease term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result, including without limitation the cost of recovering possession of the Premises, expenses including necessary renovation and alteration of the Premises, reasonable attorneys' fees.

(b) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or the termination of Tenant's right to possession shall not relieve Tenant from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Tenant's occupancy of the Premises.

10.3 Late Charges. Tenant hereby acknowledges that late payment by Tenant of rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which would be extremely difficult to ascertain. Accordingly, if any rent is not received by Landlord within 15 days after such amount is due, then, without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to 10 percent of each such overdue amount.

10.4 Breach by Landlord. Landlord shall not be deemed in breach of this Lease unless Landlord fails within a reasonable time to perform an obligation required. For purposes of this paragraph, a reasonable time shall in no event be less than 30 days after receipt by Landlord of written notice specifying wherein such obligation of Landlord has not been performed.

11. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

12. Notices. All notices under this Lease shall be in writing and shall be deemed to be properly given when delivered in person (by hand or by courier) or one day after being sent by overnight courier or by facsimile. The addresses noted at the beginning of this Lease shall be that Party's address for delivery of notices. Either Party may by written notice to the other specify a different address for notice.

13. No Waiver / Cumulative Remedies. The failure of Landlord or Tenant to require strict performance by the other of any covenant, term or condition of this Lease is not a waiver for the future of any breach of the same or any other covenant, term or condition herein. Landlord's acceptance of rent is not a waiver of any breach by Tenant. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

14. Choice of Law / Jurisdiction. The laws of the State of California shall govern this

Lease. If suit is initiated against any party hereto for any cause or matter arising from or in connection with the rights or obligations of the parties under this Lease, the sole jurisdiction and venue for such action shall be the state and federal courts located in Los Angeles County, California.

15. **Survival.** Paragraphs 6.6, 7, 12, 14, and any payment obligations and indemnity obligations shall survive the termination or expiration of this Lease.

16. Intentionally Omitted.

17. **No Security Measures by Landlord.** Tenant hereby acknowledges that the rental payable to Landlord hereunder does not include the cost by Landlord of guard service or other security measures, and that Landlord shall have no obligation whatsoever to provide it. Tenant assumes all responsibility for the protection of the Premises, Tenant, its agents and invitees and their property from the acts of third parties.

18. **Reservations.** Landlord reserves to itself the right, from time to time, to grant, without the consent of tenant, such easements, rights and dedications that Landlord deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps, and restrictions do not unreasonably interfere with the use of the Premises by Tenant.

19. **Attorneys' and Experts' Fees.** Should any party hereto retain counsel or other experts in connection with matters arising out of or related to this Lease, including the institution of any action or proceeding concerning the negotiation, interpretation, validity, performance or breach of any provision hereof, then if said matter is settled by dismissal or final judicial determination (which term includes arbitration), the prevailing party or parties (whether at trial or on appeal) shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing party or parties for all costs and expenses incurred thereby, including court costs and attorneys' and experts' fees and costs.

20. **Subordination to Landlord Mortgages.** At Landlord's option, this Lease shall be subordinate to any mortgage or deed of trust now or hereafter encumbering the property, provided that Tenant's rights under this Lease shall not be disturbed in the event of foreclosure if Tenant shall not be in default hereunder and Tenant attorns to the party acquiring title to the property as the result of such foreclosure. No act or further agreement by Tenant shall be necessary to establish the subordination of this Lease to any such mortgage or deed of trust but Tenant shall execute such documents as may be appropriate to confirm this Lease as subordinate to any such mortgage or deed of trust in accordance with the foregoing provisions.

21. **Estoppel Certificates.** Tenant shall execute, acknowledge and deliver to Landlord, upon Landlord's written request, a written statement that this Lease is unmodified (or, if modified, stating the modifications) and in full force and effect, certifying and stating the date to which rent has been paid and whether or not Landlord is in default under this Lease (and, if so,

specifying the default). The statement may be delivered to and relied upon by any existing or prospective mortgagee or purchaser of the property. A failure to deliver such a statement within 10 days after written request from Landlord shall be conclusive upon Tenant that, (i) this Lease is in full force and effect without modification except as may be represented by Landlord, (ii) there are no uncured defaults by Landlord under this Lease, and (iii) any representation by Landlord with respect to the rent payments is true.

22. **Miscellaneous.** The undersigned represent that he or she is duly authorized to execute and deliver this Lease on behalf of the respective parties. This Lease shall be construed as a whole in accordance with its fair meaning and shall be construed as if jointly drafted by both Landlord and Tenant. This Lease may be modified only in writing, signed by the parties in interest at the time of the modification. Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Lease. All provisions of this Lease to be observed or performed by Tenant are both covenants and conditions. This Lease is intended to be a fully integrated agreement, contains all agreements between the parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective.

23. **City of Torrance Approval.** This lease shall have no force or effect until approved by the City Council of the City of Torrance.

The parties hereto have executed or have caused a duly authorized officer or representative to execute this lease as of the date first above written.

LANDLORD:

William J. Adkins
William J. Adkins, Trustee of the Adkins
Family Trust dated 4/16/91

TENANT:

Raamco Motors, Inc., a California
corporation

By: [Signature]
Name Printed: ALFREDO FRENCH
Title: president

Exhibit "A"
(Site Plan of the Premises)

