Council Meeting of
July 14, 2009

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

Members of the Council:

SUBJECT: City Manager – Executive Summary Council Items 12A – 12E; Transactions for transfer of Lease for property located at 2909 and 2955 Pacific Coast Highway

EXECUTIVE SUMMARY

There are five separate transactions before Your Honorable Body this evening that are required to Assign the Lease for City-owned property located at 2909 Pacific Coast Highway from Argonaut Holdings (former General Motors Dealership) to DCH California Investments, LLC, (operating as Torrance Toyota). The five transactions are:

Item 12A Transfer of Assets

The current Master-Tenant at 2909 Pacific Coast Highway is Argonaut Holding; they are a wholly owned subsidiary of General Motors Corporation. As a requirement of the bankruptcy of General Motors the asset must be transferred from Argonaut Holdings to a surviving entity; this is Vehicle Acquisition Holdings, LCC.

Item 12B Second Forbearance Agreement

The current Lease for 2909 Pacific Coast Highway has a continuous operation clause. The dealership has closed and the current Master Tenant would be in default without the Forbearance Agreement. The Agreement holds the Lease in full effect except for the continuous operation clause. The City Council has adopted an original Agreement and a First Amendment which is currently expiring. The Second Amendment to Forbearance Agreement between the City of Torrance and Argonaut Holdings, Inc. will continue the Agreement through the escrow period.

Item 12C Landlord's Consent to Assignment, Agreement and Estoppel Certificate

This Agreement allows for the transfer of Lease from Argonaut to DCH through the consent of the City Council. The Estoppel Certificate confirms certain attributes of the Lease, that the Lease is not in default and that the payments are current.

Item 12D Termination of Lease at 2955 Pacific Coast Highway

The termination of Lease is required as the parcel involved will then be freed and allowed to be attached to a new Lease; that is the next transaction.

Item 12E Amended and Restated Lease

The final transaction is the adoption of an Amended and Restated Lease for City-owned property located at 2955 and 2909 Pacific Coast Highway. The new Lease includes both the 2955 and 2909 properties under one Lease. The Lease also includes some new terms and conditions for construction, rent and overall Lease term.

Respectfully submitted,

LeROY J. JACKSON
City Manager

CONCUR:

Mary Giordano
for LeRoy J. Jackson
City Manager

By: Brian K. Sunshine
Assistant to the City Manager

12A

Council Meeting of
July 14, 2009

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

Members of the Council:

SUBJECT: City Manager – Approve transfer of assets from General Motors Corporation to Vehicle Acquisition Holdings, LCC for a Lease of City-owned property located at 2909 Pacific Coast Highway

RECOMMENDATION

Recommendation of the City Manager that City Council authorize the Mayor to Execute and the City Clerk to Attest to an Assignment of assets from General Motors Corporation to Vehicle Acquisition Holdings, LLC concerning a Lease by and between Argonaut Holdings, Inc., (AHI) and the City of Torrance for city-owned property located at 2909 Pacific Coast Highway.

FUNDING

Funding is not required for this item.

BACKGROUND/ANALYSIS

The City of Torrance entered into a Lease for City-owned property located at 2909 Pacific Coast Highway on November 1, 2003. The Lessee, Argonaut Holding, Inc., is a wholly owned subsidiary of General Motors Corporation (GM). GM is currently in bankruptcy reorganization, subject to court approval; all issued and outstanding stock of AHI will be acquired from GM by Vehicle Acquisition Holdings, LLC, or a successor or assignee. Argonaut Holdings will then become a wholly owned subsidiary of Vehicle Acquisition Holdings, LLC. Because this is a transfer of stock from one entity to another entity, the consent of the City Council is required for the transaction.

The action before you this evening is related to the paperwork required to assign the Lease from the current Master Tenant to DCH Autogroup. There are subsequent actions being requested this evening to conclude the overall transaction.

Respectfully submitted,

LeROY J. JACKSON
City Manager

By: Brian K. Sunshine
Assistant to the City Manager

CONCUR:

Mary Giordano
for LeRoy J. Jackson
City Manager

Attachment: Lease Assignment Document

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June 16, 2009

VIA FEDERAL EXPRESS
AND CERTIFIED MAIL

City Clerk of Torrance
3031 Torrance Boulevard
Torrance, California 90503

Re: Lease dated November 1, 2003 between the City of Torrance, as lessor, and Argonaut Holdings, Inc., as lessee (the "Lease")

Ladies and Gentlemen:

Argonaut Holdings, Inc. ("AHI"), is a wholly-owned subsidiary of General Motors Corporation ("GM"). GM and certain of its other subsidiaries have filed voluntary cases under chapter 11 of title 11, United States Code, in the United States Bankruptcy Court of the Southern District of New York, Case No. 09-50026-REG. Subject to bankruptcy court approval, all of the issued and outstanding stock of AHI will be acquired from GM by Vehicle Acquisition Holdings LLC, or a successor or assignee thereto, under the terms of a sale agreement (the "Purchaser"). Accordingly, there will be a transfer of a controlling interest in AHI. As set forth in the sale agreement, the Purchaser, and/or one or more of its affiliates, will be acquiring substantially all of the assets and assuming specified liabilities of GM. It is expected that the Purchaser will re-name itself in connection with the closing of the transaction. However, there have been no decisions made with respect to such name at this time.

It appears that such transfer may be considered an assignment of AHI's interest in the Lease giving rise to certain limited consent rights on the part of the lessor. Accordingly, this letter shall constitute AHI's notice of assignment in accordance with the terms of the Lease. AHI hereby requests the lessor's consent to the assignment of the stock in AHI to the Purchaser. Please indicate your consent by signing below and returning this letter to the undersigned in the enclosed pre-paid envelope provided for your convenience.

WEIL, GOTSHAL & MANGES LLP

City Clerk of Torrance
June 16, 2009
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If you have any questions regarding this transaction, please contact me at (214) 746-8163.

Respectfully,

Justin G. Mapes

AGREED AND ACCEPTED THIS ____ DAY OF JULY 2009, AND CONSENT TO THE PROPOSED ASSIGNMENT IS HEREBY GRANTED, BY:

City of Torrance, a Municipal Corporation as lessor

_____

Frank Scotto, Mayor

ATTEST:

_____

Sue Herbers, City Clerk

cc: John K. Blanchard
Leslie Steele Smith
Beatriz Azcuy-Diaz

City of Torrance
Attention: Brian Sunshine
3031 Torrance Boulevard
Torrance, California 90503

APPROVED AS TO FORM:
JOHN FELLOWS III
City Attorney

By: _____