

GROUND LEASE

by and between

THE IMPERIAL BEACH REDEVELOPMENT AGENCY,

“Landlord”

and

SEACOAST INN, L.P., a California limited partnership

“Tenant”

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GROUND LEASE

This Ground Lease ("Lease") is dated for reference purposes as of the 15th day of March, 2011, and is entered into by and between the following (collectively, the "Parties"): THE IMPERIAL BEACH REDEVELOPMENT AGENCY, a public body corporate and politic ("Agency" or "Landlord"), and SEACOAST INN, L.P., a California limited partnership ("Tenant").

RECITALS

A. The subject property (the "Property") is located in the Palm Avenue/Commercial Redevelopment Project Area, within the City of Imperial Beach, California, on certain real property located at 800 Seacoast Drive.

B. This Ground Lease is entered into pursuant to that certain Disposition and Development Agreement, dated as of Dec. 16, 2010 (the "DDA"), by and between Landlord (as "Agency") and Imperial Coast, L.P., a California limited partnership (as "Developer"), the predecessor in interest to Tenant, for the purpose of providing part of the financing for the redevelopment of the Property with a full service, beach resort hotel with seventy-eight (78) rooms and appurtenant parking facilities (collectively, "the Project"), which shall be operated to meet certain criteria, as more specifically described herein and in the DDA. DDA as used herein shall mean, refer to and include the DDA, as well as any riders, exhibits, addenda, implementation agreements, amendments and attachments thereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in the DDA. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the DDA.

NOW, THEREFORE, in consideration of the payments to be made hereunder and the covenants and agreements contained herein, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the real property hereinafter defined as the "Leased Premises" upon the following terms and conditions.

ARTICLE 1 - DEFINITIONS

1.1 Additional Rent. The term "Additional Rent" means all sums of money required to be paid pursuant to the terms of this Lease other than Rent, including, but not limited to, unpaid utilities, unpaid maintenance, unpaid Impositions, or unpaid liens or encumbrances.

1.2 Agreed Rate. The term "Agreed Rate" as used herein shall mean an annual rate of interest equal to the lesser of (i) two percent (2%) above the rate of interest announced from time to time by the Bank of America, Downtown San Diego, Main Branch, as the prime or reference rate (or, in the event said bank ceases to announce a prime or reference rate or is acquired or ceases operations and there is no successor bank, another established and financially secure commercial

bank, having a headquarters in California, selected by Landlord), or (ii) the highest rate permitted by law, if any.

1.4 Bankruptcy Code. The term "Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time.

1.5 Commencement Date. The Commencement Date is the date that the Memorandum of Ground Lease (Attachment No. 11A to the DDA) is fully executed by Landlord and Tenant and recorded in the official records of San Diego County, signifying the commencement of this Lease.

1.6 Covenant Period. The term "Covenant Period" means Term of this Lease.

1.7 Default(s). The term "Default(s)" as used herein shall have the meaning described in Section 14.1.

1.8 Environmental Laws. The term "Environmental Laws" means any federal, state or local environmental, health and/or safety-related law, rule, regulation, requirement, order, ordinance, directive, guideline, permit or permit condition, currently existing and as amended, enacted, issued or adopted in the future. The term "Environmental Laws" includes, but is not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and similar state or local laws.

1.9 Force Majeure Events. The term "Force Majeure Events" shall have the meaning described in Section 14.8.

1.10 Governmental Restrictions. The term "Governmental Restrictions" as used herein shall mean and include any and all laws, statutes, official policies, ordinances, codes, formal decrees, rulings, regulations, writs, injunctions, orders, rules, conditions of approval or authorizations of any governmental entity, agency or political subdivision, now in force or hereafter adopted, which are applicable to the Leased Premises or the use thereof as of the date such term is being applied.

1.11 Improvements. The term "Improvements" shall mean and include all buildings, structures, fixtures, excavation, parking areas, walkways, drives, landscape areas, underground installations and all other improvements of whatsoever character constructed on, around, under or over the Leased Premises.

1.12 Institutional Lender. The term "Institutional Lender" means:

(1) a bank, trust company, insurance company, credit union, savings bank, pension, welfare or retirement fund or system, real estate investment trust (or an umbrella partnership or other entity of which a public real estate investment trust is the majority owner), federal or state agency regularly making or guaranteeing mortgage loans, investment bank, subsidiary of a Fortune 500

company (such as AT&T Capital Corporation or General Electric Capital Corporation), real estate mortgage investment conduit, or securitization trust; (2) a trustee or issuer of collateralized mortgage obligations or similar investment entity (provided that such trustee, issuer, or other entity is publicly traded or is sponsored by an entity that otherwise constitutes an Institutional Lender); (3) any entity of any kind actively engaged in commercial real estate financing and having total assets of at least \$1,000,000; or (4) a corporation, other entity, or joint venture that is a wholly owned subsidiary of or is a combination of any one or more of the foregoing entities, including any of the foregoing when acting as trustee for other lender(s) or investor(s), whether or not such other lender(s) or investor(s) are themselves Institutional Lenders.

1.12 Leased Premises. The term "Leased Premises" as used herein shall have the meaning described in Article 2 below.

1.13 Leasehold Mortgage. The term "Leasehold Mortgage" shall mean any Permitted Mortgage.

1.14 Lease Year. The term "Lease Year" as used herein shall mean each of the consecutive twelve (12) calendar month periods beginning on the first day of the first calendar month following the Commencement Date unless the Commencement Date falls on the first day of a calendar month, in which event the Lease Year shall commence on the Commencement Date. As an example, "Lease Year 55" means the Lease Year commencing after the fifty-fourth (54th) anniversary of the Commencement Date.

1.15 Lender. The term "Lender" shall mean the owner and holder of any Mortgage or Leasehold Mortgage permitted by this Lease.

1.16 Lender's Affiliate. The term "Lender's Affiliate" shall mean any affiliate of Lender that takes title to the Leasehold either (i) upon foreclosure under the applicable Leasehold Mortgage or assignment in lieu thereof, or (ii) in connection with a new lease entered into pursuant to Section 8.5 hereof.

1.17 Losses and Liabilities. The term "Losses and Liabilities" as used herein shall mean all liabilities, claims, losses, causes of action, charges, penalties, damages, costs and expenses (including reasonable attorneys' fees and costs), of whatsoever character, nature and kind, whether to property or person, whether by direct or derivative action, and whether known or unknown, suspected or unsuspected, latent or patent.

1.18 Mortgage. The term "Mortgage" as used herein shall mean and include any mortgage, deed of trust, monetary lien, financing conveyance or other voluntary monetary lien of any kind and all appropriate modes of financing real estate ownership, which encumbers Landlord's fee estate.

1.19. **Operating Year.** The term "Operating Year" as used herein shall mean each of the consecutive twelve (12) calendar month periods beginning on the first day of the first calendar month following the date of opening for business of the Seacoast Inn ("Opening Date"); unless the Opening falls on the first day of a calendar month, in which event the Operating Year shall commence on the Opening Date. As an example, "Operating Year 15" means the Operating Year commencing after the fourteenth (14th) anniversary of the Opening Date. The Opening Date shall be evidenced by documentation, showing advertisement to the general public of offers to let hotel rooms for rent. In no event shall the Opening Date occur prior to issuance of a permanent certificate of occupancy for the Project.

1.20. **Party or Parties.** The term "Party" shall refer to one of Landlord or Tenant; the term "Parties" shall refer to both Landlord and Tenant.

1.21. **Permitted Exceptions.** The term "Permitted Exceptions" shall have the same meaning as set forth in Section 208 of the DDA.

1.22. **Rent.** The term "Rent" as used herein shall have the meaning described in Section 4.1 below.

1.23. **Representatives.** The term "Representatives" as used herein shall mean the agents, contractors, employees (to the extent acting on behalf of such entity and within the scope of its employment or contract).

1.24. **Room Revenue.** The term "Room Revenue" as used herein shall mean revenues generated from letting of hotel rooms and shall exclude all other revenues, including revenues from beverage and food service, sales of gifts and sundries, use fees, parking fees, management fees, maintenance fees, association fees, spa, and salon services.

1.25. **Term.** The term "Term" as used herein shall mean the term of this Lease as described in Section 3.1 below.

1.26. **Title Insurer.** The term "Title Insurer" as used herein shall mean the Stewart Title of California, Inc.

1.27. **Title Policy.** The term "Title Policy" as used herein shall mean and include the most current form of ALTA owner's policy of title insurance, dated as of the Commencement Date, and with liability in the amount of the value of the land and completed improvements, insuring Tenant as the owner of the leasehold estate under the Lease, subject only to the Permitted Exceptions allowed by Section 208 of the DDA.

1.28. **Transfer Documents.** The term "Transfer Documents" as used herein shall have the meaning described in Section 9.1.

1.29 Transfer/Transferee. The term "Transfer" as used herein shall mean and include any conveyance, transfer, sale, assignment, lease, license, concession, franchise, gift, hypothecation, Mortgage, pledge, encumbrance, or the like, to any person or entity ("Transferee"), excluding any Leasehold Mortgage which encumbers Tenant's leasehold estate created by this Lease.

1.30 Uncured Default(s). The term "Uncured Default(s)" as used herein shall have the meaning described in Section 14.2.4.

ARTICLE 2 - LEASED PREMISES

2.1 Leased Premises.

The premises demised and leased hereunder ("Leased Premises") consist of the real property located in the City of Imperial Beach ("City"), County of San Diego, State of California, and more particularly described in the Legal Description for that property attached hereto as Exhibit A, and depicted on the Site Map attached hereto as Exhibit B, together with all right, title and interest of Landlord in and to all rights of way or use, servitudes, licenses, easements, tenements, hereditaments and appurtenances now or hereafter belonging or pertaining to the use of such real property during the Term. The parties agree that Tenant alone shall be entitled to all federal tax attributes of ownership of the Improvements.

2.2 Leased Premises; Condition of Premises; Zoning.

Prior to the Commencement Date, Tenant, at Tenant's sole expense, shall have investigated and approved the physical condition of, and the condition of title with respect to, the Leased Premises and the Improvements. Tenant acknowledges and agrees that Landlord makes no representation or warranty, express or implied, written or oral, with respect to the condition of the Leased Premises or the Improvements, or their fitness or availability for any particular use. Tenant shall provide the Title Policy, insuring Tenant as the owner of the leasehold estate under the Lease, subject only to the Permitted Exceptions.

2.2.1 Landlord makes no representations, express or implied, with respect to the legality, fitness, or desirability of the Leased Premises for Tenant's intended use. If Tenant desires to do so, Tenant shall have the right to conduct its own investigation, to its satisfaction, with respect to any matters affecting Tenant's ability to use the Leased Premises for Tenant's intended use. Landlord shall deliver title to the Leased Premises to Tenant in the condition required by Section 208 of the DDA.

2.2.2 The Leased Premises shall be delivered from Landlord to Tenant in an "as is" physical condition, with no warranty, express or implied by Landlord as to the presence of Hazardous Substances, or the condition of the soil, its geology or the presence of known or unknown faults. If the condition of the Leased Premises is not in all respects entirely suitable for the use or

uses to which such Leased Premises will be put, then it is the sole responsibility and obligation of Tenant to place the Leased Premises in all respects in a condition entirely suitable for the development thereof, solely at Tenant's expense.

2.2.3 Effective on the Commencement Date, Tenant agrees to indemnify, defend and hold harmless Landlord and City of Imperial Beach ("City"), and their respective members, officers, agents, employees, contractors and consultants, in accordance with the Environmental Indemnity (Attachment No. 8 to the DDA).

2.2.4 Effective on the Commencement Date, Tenant waives, releases and discharges the Landlord, the City and their respective members, officers, employees, agents, contractors and consultants, from any and all present and future claims, demands, suits, legal and administrative proceedings, and from all liability for damages, losses, costs, liabilities, fees and expenses (including, without limitation, attorneys' fees) arising out of or in any way connected with the Landlord's or Tenant's use, maintenance, ownership or operation of the Leased Premises, any Hazardous Substances on the Leased Premises, or the existence of Hazardous Substances contamination in any state on the Leased Premises, however the Hazardous Substances came to be placed there, except that arising out of the gross negligence or willful misconduct of the Landlord or its employees, officers or agents. Tenant acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

To the extent of the release set forth in this Section 2.2.4, Tenant hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

2.3 Designation as Point of Sale

Tenant and its successors and assigns shall maintain such licenses and permits as may be required by any governmental agency to conduct taxable sales arising from any project on the Property and, to the extent permitted by law, shall designate City of Imperial Beach as the "point of sale" for all taxable sales and lease transactions occurring from any project on the Property in all reports to the California State Board of Equalization in accordance with the Bradley-Burns Uniform Sales and Use Tax Law (Revenue and Taxation Code 72000 *et seq.*), as it may be amended or substituted from time to time, and on sales tax returns to the State of California for all taxable sales occurring at any project on the Property.

ARTICLE 3 - TERM

3.1 Term

The Term of this Lease shall be that period of time beginning on the Commencement Date and ending at midnight on the fifty-fifth (55th) anniversary of the Commencement Date, unless the Term of this Lease is sooner terminated as provided for herein.

3.2 Reserved.

3.3 Possession; Covenant of Quiet Enjoyment.

3.3.1 Sole possession of the Leased Premises shall be delivered to Tenant on the Commencement Date free and clear of any other tenancies or rights of occupancy or use, and Tenant shall take possession as of that date.

3.3.2 Landlord covenants that, subject to the limitations expressly set forth herein, Tenant, upon Tenant's timely payment of the Rent and performance of Tenant's covenants and obligations under this Lease, may quietly have, hold, and enjoy the Leased Premises during the Term of this Lease, without hindrance or interruption by Landlord or anyone claiming by or through Landlord, subject to Landlord's right to enter upon the Leased Premises as expressly provided herein.

3.4 Reserved.

3.5 Right of Option.

At any time commencing upon Completion and ending upon expiration of the Term, and subject to the Conditions Precedent to Right of Option, below, Tenant shall have the option to purchase the Property for a price equal to ONE DOLLAR AND NO CENTS (\$1.00) ("Option"). The Option shall be exercised in accordance with the procedures set forth in the Option Agreement, substantially in form attached to the DDA as Attachment No. 11. Upon Tenant's acquisition of the Agency's fee interest in the Leased Premises, the Ground Lease shall terminate. Such right also may be exercised by any holder of a Leasehold Mortgage.

3.5.1 Conditions Precedent to Right of Option

Tenant's right to exercise the Option shall be conditioned upon the following events:

i Commencing upon Completion until on or before Operating Year 10, the City of Imperial Beach's receipt of transient occupancy taxes ("TOT") from the operation of the Hotel on the Property, in the cumulative amount of at least THREE MILLION TWO HUNDRED AND TWO THOUSAND DOLLARS AND NO CENTS (\$3,202,000);

ii. Commencing upon Completion and after Operating Year 10, the City of Imperial Beach's receipt of transient occupancy taxes ("TOT") from the operation of the Hotel on the Property, in the cumulative amount of at least TWO MILLION THREE HUNDRED AND FIFTY ONE THOUSAND DOLLARS AND NO CENTS (\$2,351,000).

ARTICLE 4 - RENT PAYMENTS

4.1 Rent.

The Rent payable for each Lease Year (the "Rent") during the Term shall be as set forth in Section 4.2 hereto. The Rent for a particular Lease Year shall be paid no later than April 30 of the following calendar year during the Term. The Rent shall be prorated on a per diem basis for the first and last partial years of the Term (assuming the Commencement Date is not May 1). The last payment of Rent shall be due within twenty (20) days following the termination of this Lease.

4.2 Rent Amounts.

The Rent shall be ONE DOLLAR AND NO CENTS (\$1.00) per Lease Year.

4.3 Additional Rent.

Tenant shall pay any as Additional Rent any expenses incurred by the Landlord resulting from Tenant's failure to pay or cause to be paid any amounts owed to the Landlord under this Lease or any person or entity, including, but not limited to, unpaid utilities, unpaid maintenance, unpaid Impositions, or unpaid liens or encumbrances.

4.4 Miscellaneous.

All payments of Rent shall be made to Landlord as they become due in lawful money of the United States of America in cash or by corporate check drawn on sufficient available funds, at such place as is designated herein by Landlord for the receipt of notices or such other place as shall be designated to Tenant by Landlord in writing from time to time.

4.5 Triple Net Lease; No Counterclaim, Abatement, etc.

All Rent shall be paid absolutely net to Landlord, so that this Lease shall yield to Landlord the full amount of the installments of all Rent throughout the Term, and (unless otherwise expressly provided herein) shall be paid without assertion of any counterclaim, setoff, deduction or defense and, except as otherwise expressly provided herein, without abatement, suspension, deferment, diminution or reduction. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever, including without limitation, any regular or special assessments levied against the Property, or be under any obligation or liability hereunder,

except as herein expressly set forth. Landlord shall have no responsibility for any costs of repair, maintenance or replacement whatsoever. Except as otherwise expressly provided herein, this Lease shall continue in full force and effect, and the obligations of Tenant hereunder shall not be released, discharged or otherwise affected, by reason of: (a) any damage to or destruction of the Leased Premises or Improvements or any part thereof or any Taking of the Leased Premises or the Improvements or any part thereof; (b) any restriction or prevention of or interference with any use of the Leased Premises or the Improvements or any part thereof which materially interferes with Tenant's possession or use of the Leased Premises (other than a breach of Landlord's covenant of quiet enjoyment set forth at Section 3.3); (c) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other proceeding relating to Landlord, or any action taken with respect to this Lease by any trustee or receiver of Landlord with respect to this Lease by any trustee or receiver of Landlord, or by any court, in any proceeding; (d) any claim which Tenant has or might have against Landlord; or (e) any failure on the part of Landlord to perform or comply with any of the terms hereof or of any other agreement with Tenant. Except as expressly provided in this Lease, the obligations of Tenant shall be separate and independent covenants and agreements.

ARTICLE 5 - USE OF THE LEASED PREMISES, MAINTENANCE AND HAZARDOUS SUBSTANCES

5.1 Use of the Leased Premises.

5.1.1 Tenant covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that Tenant, such successors and such assignees shall use the Property only for the uses specified in the Seacoast Inn Specific Plan adopted by Ordinance No. 2007-1060 ("Specific Plan"), any development agreements entered into by and between the City and Tenant, including the *Development Agreement by and between the City of Imperial Beach and Imperial Coast Limited Partnership Relative to the Development Known as the Seacoast Inn Development Project*, recorded on December 18, 2007 as Document Number 2007-0778555 in the San Diego County Recorder's Office ("2007 Development Agreement"), the Pedestrian and Vehicular Access Easement Agreement, recorded on _____, 2010 as Document Number 20107-_____ in the San Diego County Recorder's Office, the Temporary Encroachment Permit recorded on _____, 2010 as Document Number 2010-_____ in the San Diego County Recorder's Office, the DDA, and this Lease. No change in the use of the Property shall be permitted without the prior written approval of Agency.

5.1.2 Notwithstanding the generality of Section 5.1.1, Tenant, its successors and assigns, shall use the Leased Premises and/or Improvements only for the following uses: operation of a full service four story hotel with a minimum of seventy-eight (78) guest rooms ("Hotel"). The Hotel shall be rated not less than three diamonds by AAA or three stars by the Mobile Travel Guide, and shall also have the following characteristics:

- a) The Hotel shall contain an on-site, full service (sit down) three-meal restaurant and lounge.
- b) The Hotel shall have at least one swimming pool.
- c) The Hotel shall have a fully-equipped exercise room/fitness center.
- d) The Hotel shall have a business center.
- e) The Hotel shall have a minimum of 2,080 square feet of meeting and conference space.

5.1.3 Tenant, Hotel owner and/or Hotel operator ("Tenant" for purposes of this section) shall be required to provide for collection and payment of the transient occupancy tax ("TOT") to the City for all guest units/hotel units that are occupied on the Leased Premises, regardless of the occupant's status as guest unit owner, lessee, private guest or guest. If a guest unit/hotel unit is occupied by a guest unit/hotel unit owner, the TOT shall be based upon the nightly rate then in effect for the unit as if it were being occupied by a third party renter. For occupancies of the guest unit/hotel unit other than by a unit owner, the TOT shall be based on the actual rent charged. This requirement to collect and pay TOT to the City exists regardless of whether the unit is booked in person through the Registration System, via telephone or through online means via agents of the Tenant. If there is a legal reason why Tenant cannot collect the TOT from owner/occupants of a guest unit, the Tenant shall be required to provide to the City an amount of TOT equivalent to the amount that should have been collected from the owner/occupant for each night a guest unit is occupied by the owner/occupant.

5.1.4 Unless recording against the Landlord's fee is required by law, as determined in the reasonable discretion of the Landlord and the California Department of Real Estate ("DRE"), Tenant shall record the Declaration of CC&Rs and the Resort Covenants against the Leasehold no earlier than Completion of the Improvements and prior to issuance of the Certificate of Occupancy for the Project and as a condition to the Landlord's issuance of a Release of Construction Covenants in accordance with Section 324 of the DDA.

5.1.5 The Declaration of CC&Rs and Resort Covenants shall be consistent with the provisions of the Development Agreement and Specific Plan. Without limiting the generality of the foregoing sentence, the Declaration of CC&Rs and Resort Covenants shall, at a minimum, contain all of the following provisions:

- (i) language mirroring Section 5.1.3 herein regarding collection of transient occupancy taxes ("TOT");

(ii) language requiring the City's written consent to any provisions of, or amendments to, the Declaration of CC&Rs and Resort Covenants, before they are final;

(iii) language designating the City as a third party beneficiary; and

(iv) if both the Landlord and DRE reasonably determine that recording of the Declaration of the CC&Rs against the fee is required by law, then the Declaration of CC&Rs and the Resort Covenants shall contain provisions that require termination of the Declaration of CC&Rs and the Resort Covenants no later than the Term of this Lease or earlier termination of the this Lease, except in the event that Tenant exercises the Option.

Tenant shall obtain Landlord's written approval of the form and content of the Declaration of CC&Rs and Resort Covenants prior to recordation. The Landlord's review of the Declaration of CC&Rs and Resort Covenants shall include, but is not limited to, a comparison of the Declaration of CC&Rs and Resort Covenants with the Development Agreement, the Specific Plan, the DDA, and this Lease to ensure consistency amongst these documents. The Landlord shall not unreasonably withhold such approval. Any changes in form or content to the Declaration of CC&Rs and/or the Resort Covenants shall be subject to Landlord's written approval.

5.2 No use of Hazardous Substances on the Leased Premises.

Tenant covenants and agrees that it shall not, and that any Lease shall provide that the Subtenant shall not, treat, use, store, dispose, release, handle or otherwise manage Hazardous Substances on the Leased Premises except in connection with any construction, operation, maintenance or repair of the Improvements or in the ordinary course of its business, and that such conduct shall be done in compliance with all applicable federal, state and local laws, including all Environmental Laws. Tenant's violation of the foregoing prohibition shall constitute a breach hereunder and Tenant shall indemnify, hold harmless and defend the Landlord for such violation as provided below.

5.3 Notice and Remediation by Tenant.

Tenant shall promptly give the Landlord written notice of any reportable release of any Hazardous Substances, and/or any notices, demands, claims or orders received by Tenant from any governmental agency pertaining to Hazardous Substances which may affect the Leased Premises.

5.4 Environmental Indemnity.

Tenant agrees to indemnify, defend and hold harmless Agency and City, and their respective members, officers, agents, employees, contractors and consultants, in accordance with the Environmental Indemnity (Attachment No. 8 to the DDA). The indemnity provided in this Section shall survive the Termination of the Lease.

5.5 Termination; Subtenants.

The agreements and obligations of Tenant under this Article 5 with regard to indemnification of Landlord shall survive the scheduled termination or sooner expiration of the Term for any reason, for five (5) years and all claims relating thereto must be delivered in writing to Tenant within such period. No action by any subtenant in violation of its Lease shall constitute a cause to terminate this Lease provided that Tenant diligently pursues its available remedies against such subtenant.

ARTICLE 6 - OWNERSHIP OF IMPROVEMENTS

Notwithstanding anything that is or appears to be to the contrary herein, any and all Improvements erected on the Leased Premises as permitted by this Lease, as well as any and all alterations or additions thereto or any other Improvements or fixtures on the Leased Premises, shall be owned by Tenant until the expiration of the Term or sooner termination of this Lease. Upon the expiration or sooner termination of this Lease, all Improvements and all alterations, additions or improvements thereto that are made to or placed on the Leased Premises by Tenant or any other person shall be considered part of the real property of the Leased Premises and shall remain on the Leased Premises and become the property of Landlord; provided that Tenant shall retain ownership of and shall be required to remove furniture, equipment, machinery, trade fixtures and removable personal property except as may be left on the Leased Premises with Landlord's prior written approval. Except as otherwise expressly provided in this Lease, any non-disturbance agreement approved by Landlord, any easement approved by Landlord, or any written instrument executed by Landlord which expressly states that Landlord is waiving its rights under this Article 6 to receive such Improvements free and clear of all other claims, said Improvements shall become Landlord's property free and clear of any and all rights to possession and all claims to or against them by Tenant or any third person or entity.

ARTICLE 7 - REPAIRS AND MAINTENANCE

7.1 Landlord's Nonresponsibility.

During the Term of this Lease, Landlord shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Leased Premises or the Improvements thereon, except as expressly provided elsewhere herein.

7.2 Tenant's Duty to Maintain Premises.

Except as expressly otherwise provided for herein, throughout the Term of this Lease, Tenant shall, at Tenant's sole cost and expense, maintain or cause to be maintained the Leased Premises and the Improvements now or hereafter located on the Leased Premises in good and clean condition and repair, free of debris, and in compliance with (i) all Governmental Restrictions and (ii) all applicable rules, orders, and regulations of any insurance company insuring all or any part of the Leased

Premises or the Improvements thereon or both, and Tenant shall make or cause to be made whatever repairs and replacements are required by such enactments or provisions or future enactments or provisions. Maintenance of the Leased Premises and the Improvements shall include, without limitation, maintenance and irrigation of the off-site landscaping on Date Avenue using Tenant's water supply from the Leased Premises.

7.3 Damage or Destruction.

7.3.1 In the event any of the Improvements are damaged by an insured casualty, Tenant promptly shall remove the debris resulting from such event, and within a reasonable time thereafter shall apply insurance proceeds to the repair or restoration of the Improvements so damaged to their condition immediately prior to such casualty, such repair or restoration to be performed in accordance with all provisions of this Lease.

7.3.2 In the event any of the Improvements are damaged by an uninsured casualty, or the insurance proceeds are insufficient to repair or restore the Improvements to their condition prior to the casualty, Tenant promptly shall remove the debris resulting from such event, and within a reasonable time thereafter shall either (i) repair or restore the Improvements so damaged to the extent economically feasible, such repair or restoration to be performed in accordance with all provisions of this Lease, or (ii) erect other Improvements in such location, provided all provisions of this Lease are complied with to the extent economically feasible, or (iii) if the damage occurs after the end of the Covenant Period, demolish the damaged portion of such Improvements, restore any remaining Improvements to an architectural whole, remove all rubbish, and pave or plant grass and otherwise restore the area to a neat, orderly, sanitary and attractive condition. Landlord shall have the option to choose among the aforesaid alternatives, subject to rights of permitted Lenders secured by the Lease, but Tenant shall be obligated to perform one of such alternatives, provided that nothing herein obligates Tenant to obtain financing exceeding the insurance proceeds, if any. Tenant shall give notice to Landlord within a reasonable time of which alternative it elects. Nothing contained in subsections 7.3.1 or 7.3.2 shall be construed as permitting the abatement or reduction of Rent, or the termination of this Lease.

7.3.3 Notwithstanding anything to the contrary contained in this Lease, if (i) there is damage to or destruction of the Improvements on the Leased Premises during the last five (5) years of the Term and the cost of repairing said damage or destruction exceeds the cost of demolishing and removing the remaining Improvements on the Leased Premises, or (ii) there is damage to or destruction of the Improvements on the Leased Premises which (1) arises from a cause which is not required to be insured against under any provision of this Lease, or (2) arises from a cause which is in fact insured against in compliance with the terms of this Lease, but for which the recoverable proceeds of such insurance are less than 90% of the cost to repair said damage or destruction, and (3) the cost to Tenant (which is not covered by insurance proceeds) of repairing said damage or destruction exceeds the cost of demolishing and removing the remaining Improvements on the

Leased Premises, or (iii) there is damage to or destruction of the Improvements on the Leased Premises and the Governmental Restrictions then in effect with respect to the Leased Premises prohibit the construction of economically viable replacement Improvements with respect to a use which Tenant either has the right to engage in under this Lease or which Tenant desires to engage in and Landlord will permit to be engaged in, then Tenant shall have the option to terminate this Lease, subject to Tenant's satisfaction of all of the following requirements: (A) Tenant shall, within ninety (90) days after the event giving rise to such right to terminate, give Landlord written notice of its election to terminate ("Notice of Election to Terminate"); and (B) Tenant shall, at the election of Landlord (which election shall be communicated in writing to Tenant ("Demolition Notice") within thirty (30) days of Landlord's receipt of the Notice of Election to Terminate), raze and remove the damaged or destroyed Improvements and any other Improvements on the Leased Premises that Landlord may designate in the Demolition Notice, and shall complete said demolition and removal and shall vacate the Improvements on the Leased Premises within ninety (90) days of Landlord's delivery of the Demolition Notice (which vacation date shall fix the termination date of this Lease); and (C) Tenant shall comply with all provisions of Article 15 of this Lease consistent with this Section 7.3 prior to or concurrent with Tenant's vacation of the Improvements on the Leased Premises. If Tenant fails to satisfy the requirements set forth in (B) or (C) above, the failure to meet such conditions shall not invalidate the termination of this Lease, although, in that event and notwithstanding anything else in this Lease that may be or appear to be to the contrary, Tenant shall remain liable to Landlord in damages for such breach. Any and all property damage insurance proceeds (exclusive of any proceeds applicable to Tenant's trade fixtures, equipment or personal property that would be retained by Tenant at the end of the Term) paid to Tenant as a result of the damage or destruction giving rise to the termination shall be distributed to the Parties, and any Lender, as their interest are determined.

7.3.4 Except as expressly provided in this Lease, no deprivation, impairment, or limitation of use resulting from any damage or destruction or event or work contemplated by this Section shall entitle Tenant to any offset, abatement, or reduction in Rent, nor to any termination or extension of the Term hereof.

ARTICLE 8 - LEASEHOLD FINANCING

8.1 Conditions To Obtaining Leasehold Mortgage. 8.1.1 Tenant shall not encumber the estate created by this Lease, except as expressly provided in this Article 8.

8.1.2 Tenant shall have the right, without Landlord's prior written consent, to encumber Tenant's estate created by this Lease with any Leasehold Mortgage; provided, that such Leasehold Mortgage shall meet each of the following terms, conditions and requirements:

(i) The Leasehold Mortgage shall contain provisions requiring that copies of all notices of default under said Leasehold Mortgage must be sent to Landlord;

(ii) The Leasehold Mortgage shall not permit or authorize, or be construed to permit or authorize, any Lender to devote the Leased Premises to any uses, or to construct any Improvements thereon, other than those uses and Improvements provided for and authorized by this Lease; and

(iii) The originator of the loan secured by the Leasehold Mortgage is made by an Institutional Lender.

8.2 Lender's Rights.

So long as any Leasehold Mortgage permitted by this Lease exists, or any Lender (or its nominee) owns all or any portion of the leasehold estate created hereunder, and until such time as the lien (or estate) of any Leasehold Mortgage (or its holder) has been extinguished (which provisions shall be for the benefit of the Leasehold Mortgagee):

8.2.1 Notwithstanding anything to the contrary in this Lease, any judicial or non judicial foreclosure by a Lender under any Leasehold Mortgage, or any exercise of rights or remedies under or pursuant to any Leasehold Mortgage, including the appointment of a receiver, shall not in and of itself be deemed to violate this Lease or, in and of itself, entitle Landlord to exercise any rights or remedies;

8.2.2 Following Lender's or Lender's Affiliate's acquisition of Tenant's interest in this Lease pursuant to a foreclosure or an assignment in lieu of foreclosure, the Lender or Lender's Affiliate (as applicable) shall be entitled to assign its interest in this Lease without Landlord's prior consent, subject to compliance with the terms and conditions of this Article 8. All subsequent Transfers by the Transferee of Lender or Lender's Affiliate (as applicable) shall comply with the provisions of this Lease, including all restrictions on Transfer set forth in Article 9 hereof; and

8.2.3 If, in connection with securing by Tenant of any Leasehold Mortgage, the affected Lender requests an amendment with respect to the Lender protection rights set forth in this Article 8, Landlord agrees not to unreasonably withhold its consent to any such amendment; provided, that Landlord shall not be required to consent to such an amendment if it would, in Landlord's reasonable determination, materially impair any of Landlord's rights or materially increase any of Landlord's obligations under this Lease.

8.2.4 Default Notice. Landlord, upon providing Tenant with any "Notice of Default" (as defined below) under this Lease, shall, at the same time, provide a copy of such notice to every Lender who has given written notice to Landlord of its interest in the leasehold estate. From and after such notice has been given to a Lender, such Lender shall have the same period for

remedying the Default complained of as the cure period provided to Tenant pursuant to Section 14.2, plus the additional period provided to such Lender as specified below. Regardless of whether a Default exists, Landlord shall accept performance by or at the instigation of such Lender as if the same had been done by Tenant.

8.3. Lender Cure Rights.

Notwithstanding anything to the contrary contained in this Lease, Landlord shall have no right to terminate this Lease on account of an Uncured Default of Tenant unless, following expiration of Tenant's applicable cure period, Landlord first provides each Lender not less than sixty (60) days notice of its intent to terminate, if Tenant's Default can be cured by the payment of money (a "Monetary Default"), and not less than ninety (90) days notice of its intent to terminate, if Tenant's Default is of any other type (a "Non-monetary Default"), and each Lender fails to cure such Monetary Default within sixty (60) days after receipt of such notice or each Lender fails to cure or, in good faith and with reasonable diligence and continuity, commence to cure such Non-monetary Default within said ninety (90) day period. If such Non-monetary Default cannot reasonably be cured by such Lender within said ninety (90) day period (or is such that possession of the Leased Premises is necessary for Lender to obtain possession and to remedy the Default), the date for termination shall be extended for such period of time as may be reasonably required to remedy such Default, if (a) Lender shall have fully cured any default in the payment of any monetary obligations of Tenant under this Lease within sixty (60) days after its receipt of notice of Landlord's intent to terminate, and shall continue to pay currently such monetary obligations as and when the same are due, and (b) Lender continues its good faith and diligent efforts to remedy such nonmonetary Default (including its acquisition of possession of the Leased Premises if necessary to the cure of such Default), provided, however, that in no event shall the Agency be precluded from exercising remedies if its rights become or are about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the Lender's first notice of default. For purposes hereof, commercially reasonable efforts to appoint a receiver, seek relief from the automatic stay provisions of the Bankruptcy Code and generally opposing any plan of reorganization or other proceedings in a proceeding by Tenant under the Bankruptcy Code (if such proceeding does not cure any Tenant Default) shall be deemed "good faith and diligent efforts" as herein used. It is expressly understood and agreed upon that the cure period herein provided for Non-monetary Defaults shall be tolled upon the Tenant being enjoined from pursuing remedies under the Bankruptcy Code or if Lender is otherwise enjoined from pursuing remedies.

8.3.1 Landlord agrees that, notwithstanding anything to the contrary in this Section 8.3, any Non-monetary Default that is not susceptible of cure shall be waived by Landlord upon Lender's or Lender's Affiliate's acquisition of the leasehold estate created hereby (whether by foreclosure or otherwise) or pursuant to a new lease entered into pursuant to Section 8.5, and the cure of all Monetary Defaults and Non-monetary Defaults.

8.3.2 Nothing in this Section 8.3 shall be construed to require a Lender to continue any foreclosure proceeding it may have commenced against Tenant after all Defaults have been cured by Lender or Tenant, and if such Defaults shall be cured and the Lender shall discontinue such foreclosure proceedings, this Lease shall continue in full force and effect as if Tenant had not defaulted under this Lease.

8.4 Obligations of Lender and Purchaser.

8.4.1 No Lender, acting in such capacity, shall be deemed to be an assignee or transferee of this Lease or of the leasehold estate hereby created so as to require such Lender, in that capacity, to assume the performance of any of the terms, covenants or conditions on the part of the Tenant to be performed hereunder, unless and until it acquires the interest of Tenant hereunder. Upon acquiring Tenant's leasehold, a Lender or (to the extent title is taken in an affiliate of Lender) a Lender's Affiliate may, without the consent of Landlord, sell and assign the leasehold estate on such terms and to such persons and entities as are acceptable to such Lender and thereafter be relieved of all obligations on the part of Tenant first arising under this Lease after the date of such sale or assignment; provided, that such assignee of the Lender shall have delivered to Landlord an assumption agreement as provided by Section 9.1.1(iv) of this Lease. Any such assignee of Lender or Lender's Affiliate (as applicable), or any other assignee of this Lease or of the leasehold estate created hereby by a conveyance in lieu of foreclosure or any purchaser at any foreclosure sale of this Lease or of the leasehold estate hereby created (other than, in any case, the Lender), shall be deemed to be a Transferee of this Lease, and shall be deemed to have agreed to perform all of the terms, covenants and conditions on the part of the Tenant to be performed hereunder from and after the date of such purchase and assignment and, from and after such date, shall be subject to all the terms of this Lease, including all restrictions on further Transfer set forth in Article 9.

8.4.2 Notwithstanding any other provision of this Lease, any bona fide sale of this Lease and of the leasehold estate hereby created in any proceedings for the foreclosure of any Leasehold Mortgage or a bona fide assignment or transfer of this Lease and of the leasehold estate hereby created in lieu of foreclosure of a Leasehold Mortgage (collectively, "Proceedings") shall be deemed to be a permitted sale, transfer or assignment of this Lease and of the leasehold estate hereby created so long as Agency is given timely notice of any default of Tenant and of any such Proceeding and is afforded the cure periods specified in Section 8.14 and so long as any such deed in lieu of foreclosure has not been undertaken for the purpose or with the intent of circumventing any otherwise applicable restrictions upon Transfers of Tenant's interest under this Lease. Notwithstanding the foregoing, any transfer by foreclosure or deed in lieu of foreclosure to Tenant or any Affiliate of Tenant shall not be deemed a permitted sale, transfer or assignment of this Lease and the leasehold estate created hereby.

8.5 New Lease.

Except as expressly provided in the last sentence of this Section, in the event of a termination of this Lease for any reason including, without limitation, by reason of any Default or the rejection or disaffirmance of this Lease pursuant to bankruptcy law or other law affecting creditors rights, or upon a termination of this Lease by Landlord pursuant to any proceeding under the Bankruptcy Code (including without limitation pursuant to Sections 363 and 365 of the Bankruptcy Code), Landlord shall give prompt notice thereof to any Lenders who have requested notice from Landlord in writing and furnished their names and addresses to Landlord.

8.5.1 Upon written request of any such Lender, made at any time within ninety (90) days after the giving of such notice by Landlord, Landlord shall enter into a new lease of the Leased Premises with such Lender within twenty (20) days after the receipt of such request, which new lease shall be effective as of the date of such termination of this Lease and shall be for the remainder of the Term of this Lease, at the rent provided for herein, and upon the same terms, covenants, conditions and agreements as are herein contained; provided that such Lender shall: (i) pay to Landlord at the time of the execution and delivery of said new lease any and all sums for Rent payable by Tenant hereunder to and including the date thereof, less the net amount (i.e., net of all reasonable expenses) of all sums received by Landlord from any Subtenants in occupancy of any part or parts of the Leased Premises and/or Improvements up to the date of commencement of such new lease; (ii) pay all reasonable costs resulting from the preparation and execution of such new lease; and (iii) on or prior to the execution and delivery of said new lease, agree in writing that promptly following the delivery of such new lease, such Lender will perform or cause to be performed all of the other covenants and agreements herein contained on Tenant's part to be performed to the extent that Tenant shall have failed to perform the same to the date of delivery of such new lease. Nothing herein contained shall be deemed to impose any obligation on the part of Landlord to deliver physical possession of the Leased Premises to such Lender unless Landlord at the time of the execution and delivery of such new lease shall have obtained physical possession thereof.

8.5.2 During the ninety (90) day period commencing from Landlord's notice to Lender under this Section 8.5, Landlord shall not, except with the written consent (which shall not be unreasonably withheld), of each holder of a Leasehold Mortgage, (i) cancel any such direct lease or accept any cancellation, termination, or surrender of subleases (unless such termination shall be effected as a matter of law upon the termination of this Lease, in which case such subleases shall, at Lender's option, be reinstated concurrent with the delivery of such new lease); or (2) enter into any new leases of the Leased Premises or any portion thereof, except with the written consent (which shall not be unreasonably withheld) of each holder of a Leasehold Mortgage.

8.6 New Lease Priority.

8.6.1 It is the intent of the Parties that any new lease made pursuant to Section 8.5 shall have the same priority with respect to any lien, charge or encumbrance on the fee of the Leased

Premises as did this Lease and that the Tenant under such new lease shall have the same right, title and interest in and to the Leased Premises as Tenant had under this Lease.

8.6.2 The provisions of this Section 8.6 and Sections 8.4 and 8.5 shall survive the termination, rejection or disaffirmance of this Lease and shall continue in full force and effect thereafter to the same extent as if Sections 8.4, 8.5 and this Section 8.6 were a separate and independent contract made by Landlord, Tenant and such Lender.

8.7 Liability of New Tenant.

The Lender or Lender's Affiliate which becomes the tenant under the Lease pursuant to Section 8.4 or any such new lease made pursuant to Section 8.5 shall be liable to perform the obligations imposed on the Tenant by the Lease or by the tenant by such new lease to the same extent as Tenant hereunder for the period of ownership of Lender or Lender's Affiliate. Notwithstanding the foregoing, a Lender or (to the extent title is taken in an affiliate of Lender) a Lender's Affiliate may, without the consent of Landlord, sell and assign the leasehold estate acquired by foreclosure of the applicable Leasehold Mortgage or assignment in lieu thereof pursuant to Section 8.4 or created by the new lease entered into pursuant to Section 8.5 on such terms and to such persons and entities as are acceptable to such Lender, subject to Section 9.1. Thereafter, Lender or Lender's Affiliate (as applicable) shall be relieved of all obligations on the part of the "tenant" first arising under this Lease after the date of such sale or assignment; provided, that such assignee of the Lender shall have delivered to Landlord an assumption agreement as provided by Section 9.1.1(iv) of this Lease.

8.8 Further Assurances. Upon request by Tenant or by any existing or prospective holder of a Leasehold Mortgage, Landlord shall deliver to the requesting party such documents and agreements as the requesting party shall reasonably request to further effectuate the intentions of the parties as set forth in this Lease.

8.9 Legal Proceedings.

Landlord shall give each Lender who has given written notice of its interest in the leasehold estate to Landlord prompt notice of any legal proceedings between Landlord and Tenant involving obligations under this Lease. Each said Lender shall have the right to intervene in any such proceeding to protect its interest and be made a party thereto, and the parties hereto do hereby consent to such intervention. In the event that any such Lender shall not elect to intervene or become a party to any such proceedings, Landlord shall give such Lender notice of, and a copy of, any award or decision made in any such proceedings, which shall be binding on all Lenders not intervening after receipt of notice of the legal proceeding. In addition, Landlord further agrees that Lender shall have standing and shall be a party in interest in any case or proceeding commenced by Landlord under the Bankruptcy Code, including without limitation in any proceeding under Section 363 of the Bankruptcy Code to sell the Lease free and clear of the interests of Lessee and Lender or to reject the Lease pursuant to Section 365 of the Bankruptcy Code.

8.10 Notices.

Notices from Landlord to any Lender shall be mailed to the address of the Lender set forth in the Leasehold Mortgage furnished to Landlord or at such other address as may have been furnished to Landlord by such Lender. All notices from the Lender to Landlord shall be mailed to the address designated pursuant to the provisions of Section 17.6 or such other address as Landlord may designate in writing from time to time. All notices to a Lender or to Landlord shall be given in the manner described in Section 17.6 and shall in all respects be governed by the provisions of such Section.

8.11 Encumbrance of Landlord's Fee Estate.

Neither Tenant nor any Lender or Leasehold Mortgagee has any rights to encumber or any interest in Landlord's fee estate in the Property. To the extent Landlord encumbers Landlord's fee estate, Landlord shall specifically provide that the leasehold estate created hereby shall be superior to any such financing. Further, Landlord shall give notice to Tenant and all holders of a Leasehold Mortgage and, upon request of any of the foregoing, Landlord shall require the holder of any Mortgage to enter into a non-disturbance and attornment agreement with Tenant and each such holder of a Leasehold Mortgage providing for the continuation of this Lease (including any options to purchase the Landlord's fee interest hereunder) upon any foreclosure under such Mortgage.

8.12 Amendments, Modifications and Surrender.

No cancellation, termination (including Tenant's termination of this Lease pursuant to any express right of termination in this Lease or under applicable law), surrender, acceptance of surrender, abandonment, amendment, modification, or rejection of this Lease, or subordination of this Lease to any Mortgage or other encumbrance on the Landlord's fee estate, shall bind a Lender under a Leasehold Mortgage if done without such Lender's consent. Nothing in this paragraph shall limit the right of Landlord to terminate this Lease upon occurrence of a Tenant's Default and the expiration of all applicable cure rights in favor of a Lender under a Leasehold Mortgage pursuant to Section 8.3 hereof; subject however to (i) provisions of this Lease that limit the right of Landlord to terminate this Lease on account of Tenant Defaults not susceptible of cure; and (ii) the right of any Lender under a Leasehold Mortgage to obtain a new lease as provided for in Section 8.5 of this Lease.

8.13 Insurance and Condemnation.

In the event of any casualty or condemnation affecting all or any portion of the Leased Premises, notwithstanding any other provision to the contrary herein contained, the insurance or condemnation proceeds shall be delivered to Lender and disbursed upon the terms and subject to the conditions set forth in the applicable Leasehold Mortgage. If and only to the extent, there are any remaining casualty or condemnation proceeds, such proceeds shall be disbursed to Landlord and

allocated between Landlord and Tenant as provided in the Lease (with, in the instance of application by Lender of any such proceeds, Tenant's allocated amount reduced by the amount retained and so applied by Lender).

8.14 Landlord Right to Cure.

Notwithstanding anything to the contrary contained in this Lease, Lender shall have no right to complete a foreclosure on account of an uncured default of Tenant ("Uncured Loan Default") unless Lender, following expiration of Tenant's applicable cure period under the Leasehold Mortgage, first provides Landlord not less than sixty (60) days notice of its intent to foreclose, if Tenant's Uncured Loan Default can be cured by the payment of money ("Tenant Monetary Default"), and not less than ninety (90) days notice of its intent to foreclose, if Tenant's Uncured Loan Default is of any other type ("Tenant Non-monetary Default"), and Landlord fails to cure such Tenant Monetary Default within sixty (60) days after receipt of such notice or Landlord fails to cure such Tenant Non-monetary Default within a period of ninety days (90) days. Nothing herein shall be deemed to restrict Lender's rights to initiate statutory foreclosure proceedings or obtain a receiver during Lender's cure period. If all Uncured Loan Defaults have been cured by Landlord in accordance with this Section, the Leasehold Mortgage shall be reinstated in accordance with California Civil Code Section 2924c. Nothing herein shall be construed or deemed as an obligation by Landlord to cure any Uncured Loan Default.

ARTICLE 9 - ASSIGNMENT AND TRANSFER

9.1 Transfer of the Lease, the Leased Premises or the Improvements Thereon.

(1) Transfer(s) occurring prior to Completion shall be made in accordance with Section 107 of the DDA. Transfer(s) occurring after Completion shall be subject to the prior written consent of Landlord, which consent will not be unreasonably withheld or delayed; provided, however, that notwithstanding anything to the contrary herein, Tenant may Transfer its interest in the Lease to Permitted Transferees under the same terms and conditions as set forth under Section 107 of the DDA.

(2) For Transfers to a Person other than a Permitted Transferee, Landlord shall have the right to consider the following factors in determining whether or not to consent to any proposed Transfer of Tenant's rights under or interest in this Lease, the Leased Premises, or the Improvements constructed thereon: (1) The financial condition of the proposed Transferee and its ability to perform all of the financial and other obligations of Tenant under this Lease, (2) the Transferee's business reputation, and (3) the Transferee's ability to demonstrate its capability to manage or provide for the management of the Improvements located on the Leased Premises.

(3) Upon any approved or Permitted Transfer of this Lease or the Leased Premises (other than for security purposes), said Transferee shall expressly assume in writing liability for all of

Tenant's obligations accruing under this Lease after the date of such Transfer. Except as to any Permitted Transferee (as defined in the DDA), Tenant shall not be released of its obligations under this Lease unless either (A) pursuant to the process described in subparagraph (ii) immediately above, Tenant has demonstrated to Landlord's reasonable satisfaction that Transferee's net worth at the time of the Transfer is equal to or greater than the net worth of Tenant as of the Commencement Date (adjusted to correspond to any changes in the CPI since the Commencement Date), or (B) an individual(s) or an entity(ies) with substantially equal or greater net worth than that of Tenant, has guaranteed Tenant's obligations under this Lease. If Transferee's net worth satisfies the foregoing test, then Tenant (as well as former Tenants still liable hereunder) shall be released of all liability under this Lease accruing after the date of such Transfer.

(4) At any time Tenant desires to effect a Transfer which requires Landlord's consent pursuant to clause (ii) or (iii) above, Tenant shall request consent from Landlord in writing and shall submit to Landlord in connection with such request all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating and/or evidencing such proposed Transfer, as well as all other information Tenant reasonably believes is necessary for Landlord to properly evaluate the proposed Transferee pursuant to the criteria set forth in Section 9.1.1(a)(ii) and, if applicable, Section 9.1.1(a)(iii) above. Landlord agrees to advise Tenant in writing of its decision on Tenant's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after Landlord receives all of the items required by the preceding sentence. If such request is denied, Landlord shall state the reasons for such denial in its notice of denial of Tenant's request. If Landlord fails to respond to Tenant's request within thirty (30) days after its receipt of all of the items required above, Tenant's request shall be deemed disapproved. Upon a deemed disapproval, Tenant may deliver a notice to Landlord which states that there has been a deemed disapproval, requesting that Landlord consent to the proposed Transfer, stating that Landlord must consent to or deny the proposed Transfer within thirty (30) days after Landlord's receipt of this notice, and that failure by Landlord to either consent to or deny such Transfer within such 30 day period will result in deemed consent. If Landlord fails to consent to or deny the proposed Transfer within such second thirty (30) day period, the Transfer shall then be deemed approved by Landlord.

9.2 Transfer of Tenant's Interest in Lease and Tenant's Ownership.

The restrictions on Transfer contained in this Article 9 shall be binding on any successors, heirs or permitted Transferees of Tenant. The provisions of this Article 9 shall apply to each successive Transfer and Transferee in the same manner as initially applicable to Tenant under the terms set forth herein.

ARTICLE 10 - TAXES AND IMPOSITIONS

10.1 Tenant To Pay Impositions.

10.1.1 In addition to the Rent and other payments required to be paid under this Lease, Tenant shall pay or cause to be paid any and all taxes (including possessory interest taxes) and assessments (collectively, "Impositions") levied or assessed from the Commencement Date until the termination of this Lease by any governmental agency or entity on or against the Leased Premises or any portion thereof, or on or against any interest in the Leased Premises (including the leasehold interest created by this Lease); or any Improvements or other property in or on the Leased Premises. The timely payment of the Impositions is a material term of this Lease, and, to the extent the above-referenced items are payable to Landlord or its successors or assigns, they shall constitute Additional Rent hereunder.

10.1.2 If, by law, any such Imposition is payable, or may, at the option of Tenant be paid, in installments, Tenant may pay the same, together with any accrued interest on the unpaid balance of such Imposition, in such installments as those installments respectively become due and before any fine, penalty, interest, or cost may be added thereto for the nonpayment of any such installment and interest.

10.2 Proration of Impositions.

All Impositions levied or assessed on or against the Leased Premises shall be prorated, based on a 365-day year, between Landlord and Tenant as of the Commencement Date of this Lease, and as of the expiration or earlier termination of this Lease. On service of written request by Landlord, Tenant shall promptly pay to Landlord Tenant's share of such Impositions paid by Landlord on Tenant's behalf and, on service of written request by Tenant, Landlord shall promptly pay to Tenant Landlord's share of such Impositions paid by Tenant on Landlord's behalf.

10.3 Payment Before Delinquency.

Subject to Section 10.4, any and all Impositions and installments of Impositions required to be paid by Tenant under this Lease shall be paid by Tenant prior to delinquency, and, upon Landlord's written request, copies of the official and original receipt for the payment of each such Imposition or installment thereof or other reasonably satisfactory evidence of payment shall promptly be given to Landlord.

10.4 Contest of Imposition.

Tenant shall refrain from appealing, challenging or contesting in any manner the validity or amount of any tax assessment, encumbrance or lien on the Leased Premises; provided, however, that such prohibition shall not apply to an appeal, challenge or contesting of the erroneous initial

assessment for property tax purposes of the Leased Premises in the fiscal year of the completion of the Improvements to be constructed pursuant to the Agreement, and further provided that in the absence of transfer of ownership or new construction Tenant shall not be prohibited from appealing, challenging or contesting any increases in assessment of the Leased Premises for property tax purposes over and above the current 2% per annum permitted amount.

Tenant agrees that any such permitted proceedings shall be begun without undue delay after any contested item is imposed and shall be prosecuted to final adjudication with reasonable dispatch. Tenant shall give Agency prompt notice in writing of any such contest at least ten (10) days before filing any contests, except for related to the welfare exemption. Tenant may only exercise its right to contest an imposition hereunder if the subject legal proceedings shall operate to prevent the collection of the imposition so contested, or the sale of the Leasehold and/or Improvements, or any part thereof, to satisfy the same, and only if Tenant shall, prior to the date such imposition is due and payable, have given such reasonable security as may be required by Agency from time to time in order to insure the payment of such imposition to prevent any sale, foreclosure or forfeiture of the Leased Premises, or any part thereof, by reason of such nonpayment. In the event of any such contest and the final determination thereof adversely to Tenant, Tenant shall, before any fine, interest, penalty or cost may be added thereto for nonpayment thereof, pay fully and discharge the amounts involved in or affected by such contest, together with any penalties, fines, interest, costs and expenses that may have accrued thereon or that may result from any such contest by Tenant and, after such payment and discharge by Tenant, Agency will promptly return to Tenant such security as Agency shall have received in connection with such contest.

Agency shall cooperate reasonably in any such contest permitted by this Section 10.4, and shall execute any documents or pleadings reasonably required for such purpose. Any such proceedings to contest the validity or amount of Imposition or to recover back any Imposition paid by Tenant shall be prosecuted by Tenant at Tenant's sole cost and expense, and Tenant shall indemnify and save harmless Agency against any and all loss, cost or expense of any kind, including, but not limited to, reasonable attorneys' fees and expenses, which may be imposed upon or incurred by Agency in connection therewith.

10.5 Tax Returns And Statements.

Tenant shall, as between Landlord and Tenant, have the duty of attending to, preparing, making, and filing any statement, return, report, or other instrument required or permitted by law in connection with the determination, equalization, reduction, or payment of any Imposition that is or may be levied on or assessed against the Leased Premises, or any portion thereof, or any interest therein, or any Improvements or other property on the Leased Premises.

10.6 Possessory Interest Taxes.

Landlord is a public entity, and as such, Landlord's underlying fee in the Leased Premises is, or may be, exempt from property tax assessments. In accordance with California Revenue and Taxation Code Section 107.6(a), Landlord states that by entering into this Lease, a Possessory interest in Tenant subject to property taxes will be created. Tenant or any other party in whom the Possessory interest is vested may be subject to the payment of property taxes levied on such interest. In addition, pursuant to Health and Safety Code Section 33673, the Leased Premises shall be assessed and taxed in the same manner as privately owned property, and Tenant shall pay taxes upon the assessed value of the entire Leased Premises and not merely the assessed value of its leasehold interest; provided however, that Landlord recognizes that Tenant will apply for and may receive a welfare exemption for all or a portion of the Improvements.

ARTICLE 11 - UTILITY SERVICES

11.1 Tenant's Responsibility.

During the Term of this Lease, Tenant shall pay, or cause to be paid, and shall indemnify, defend and hold Landlord and the property of Landlord harmless from all charges for water, sewage, gas, heat, air conditioning, light, power, steam, telephone service and all other services and utilities used, rendered or supplied to, on or in the Leased Premises during the Term.

11.2 Landlord Has No Responsibility.

Landlord shall not be required to furnish to Tenant or any other occupant of the Leased Premises during the Term of this Lease, any water, sewage, gas, heat, air conditioning, light, power, steam, telephone, or any other utilities, equipment, labor, materials or services of any kind whatsoever.

ARTICLE 12 - INSURANCE

12.1 Fire and Extended Coverage Insurance.

Throughout the term of this Lease, Tenant, at no cost or expense to Landlord, shall keep or cause to be kept, for the mutual benefit of Landlord and Tenant, a policy of standard fire insurance, with extended coverage and vandalism and malicious mischief endorsements, excluding earthquake insurance. The amount of insurance required hereunder shall in no event be less than one hundred percent (100%) of the full replacement cost of the Improvements on the Leased Premises (exclusive of foundations and footings), including tenant improvements or betterments. Tenant shall not be obligated to obtain flood insurance as part of the extended coverage required hereunder. Coverage shall be "property broad form" and shall include rent interruption insurance, which insurance shall also cover all real estate taxes and insurance costs for the purposes of continuing rental payments to

the landlord for the duration of the Lease. Coverage shall not include a coinsurance penalty provision.

12.2 Commercial General Liability Insurance. Tenant, commencing on the Commencement Date and continuing throughout the Term hereof, shall maintain or cause to be maintained, at no cost or expense to Landlord, comprehensive broad form commercial general liability insurance or an equivalent owner, contractor protective policy insuring against claims and liability for personal injury, death, or property damage arising from the use, occupancy or condition of the Leased Premises, the Improvements thereon, which insurance shall provide combined single limit protection of at least Four Million Dollars (\$4,000,000) for bodily injury or death to one or more persons, and at least Four Million Dollars (\$4,000,000) for property damage, which limits shall be increased by Tenant from time to time based upon Tenant's reasonable assessment of the limits carried by prudent and responsible property owners of similar property in the geographic area of the Leased Premises.

12.3 Worker's Compensation Insurance. Tenant shall carry worker's compensation insurance for any employees it has as required by the State of California, and employer's liability insurance with a liability insurance minimum of \$1,000,000 per accident for bodily injury or disease.

12.4 Course of Construction Insurance. Course of construction insurance coverage for all risk of loss shall be maintained at one hundred percent of the completed value basis on the insurable portion of the work including materials at the project site, stored off the project site, or in transit. Tenant shall include the interests of the Landlord and subcontractors in the work and shall insure against the perils of physical loss or damage. Nothing in this Article, however, shall be construed to relieve the Tenant of full responsibility for loss of or damage to materials not yet incorporated in the work or the Tenant's tools and equipment used to perform the work, whether on the project site or elsewhere, or to relieve the Tenant of any other responsibility under the Lease. If the Landlord is damaged by the failure of the Tenant to purchase or maintain such insurance, the Tenant shall bear all losses attributable thereto and indemnify the Landlord therefrom.

12.5 Business Automobile Liability Insurance. If not covered by its other insurance policies, Tenant shall carry business liability insurance on an occurrence form covering owned, hired, leased and non-owned automobiles used by or on behalf of the Tenant and providing insurance for bodily injury, property damage and contractual liability.

12.6 Policy Form, Content And Insurer.

12.6.1 All insurance required by the provisions of this Lease shall be carried only with insurance companies licensed to do business in this state with Best's Financial Rating of A VII or better or otherwise acceptable to Landlord.

12.6.2 All such policies required by the provisions of this Lease shall be nonassessable and shall contain language to the effect that (i) the policies are primary and noncontributing with any insurance that may be carried by Landlord, (ii) the policies cannot be canceled or materially changed except after thirty (30) days notice by the insurer to Landlord and (iii) Landlord shall not be liable for any premiums or assessments. The insurer under the policy of property insurance for the Leased Premises shall also waive its rights of subrogation against Landlord and Landlord's Representatives.

12.6.3 All deductibles or self-insured retentions shall be commercially reasonable for companies of similar net worth as Tenant.

12.6.4 Upon Tenant's execution and delivery of this Lease, Tenant shall deliver to Landlord certificates of insurance evidencing the insurance coverages specified in this Article. Tenant shall thereafter deliver to Landlord original certificates and amendatory endorsements evidencing the insurance coverages required by this Article upon renewal of any insurance policy. Full copies of the policies shall be made available to Landlord upon request. Tenant may provide any insurance required under this Lease by blanket insurance covering the Leased Premises and any other location or locations, provided that the specific policy of blanket insurance proposed by Tenant provides the coverages required by this Lease taking into account the other properties, persons and risks covered by such blanket policy. All policies shall name Landlord and each Lender as an additional insured or loss payee (as applicable) as their interests may appear, and shall contain the following special endorsements:

"The Imperial Beach Redevelopment Agency, the City of Imperial Beach, and their officers, employees and agents, are hereby declared to be additional insureds under the terms of this policy as to the activities of Landlord, Tenant and its sublessees, if any.

"This insurance policy will not be canceled without 30 days prior written notice to the Trustees and the Corporation. The Redevelopment Agency of the City of Imperial Beach is not liable for the payment of premiums or assessments on this policy."

12.6.5 For any claims related to this project, the Tenant's insurance coverage shall be primary insurance as respects the Landlord. Any insurance or self-insurance maintained by the Landlord shall be excess of the Tenant's insurance and shall not contribute with it.

12.6.6 Tenant shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all requirements stated herein.

12.7 Waiver of Subrogation.

The Landlord and Tenant hereby release the other and its Representatives from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any insured loss or damage to the Leased Premises, any Improvements thereon, or any of Landlord's or Tenant's property thereon caused by or arising from a fire or any other event even if such fire or other casualty shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.

12.8 Indemnification.

12.8.1 Tenant shall indemnify, defend and hold harmless the Landlord, the City and their respective members, officers, employees, agents, contractors and consultants, and the property of Landlord, including the Leased Premises, from and against any and all Losses and Liabilities of every nature arising out of or in connection with the use, occupancy or enjoyment of the Leased Premises by Tenant or any person thereon or holding under Tenant arising from any action, inaction, events or facts occurring during the Term from any cause, provided, that nothing in this Section 12.8.1 or this Lease shall be construed to require Tenant to rebuild the Improvements or to pay charges to Landlord in connection therewith as a result of damage to or destruction of the Improvements or any Taking of the Improvements, except to the extent expressly provided in the other Sections of this Lease. The above indemnification includes, without limitation, any Losses and Liabilities arising by reason of:

(1) The death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or damage to or destruction of any property, including property owned by Tenant or by any person who is an employee or agent of Tenant, from any cause whatever while such person or property is in or on the Leased Premises;

(2) The death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by either (A) the condition of the Leased Premises or some Improvements on said premises, or (B) some act or omission on the Leased Premises by Tenant or any person in, on, or about the Leased Premises with the permission and consent of Tenant;

(3) Any work performed on the Leased Premises or materials furnished to said premises at the insistence or request of Tenant or any person or entity acting for or on behalf of Tenant; or

(4) Tenant's failure to perform any provision of this Lease or to comply with any Governmental Restriction.

However, the foregoing indemnification shall not extend to any Loss or Liability to the extent (1) it arises out of the gross negligence or intentional or willful misconduct of Landlord or its Representatives.

ARTICLE 13 - CONDEMNATION

13.1 General.

If any portion of or interest in the Leased Premises shall be condemned (including, without limitation, inverse condemnation) or taken by any public authority or by any other person or entity with the power of condemnation, by eminent domain or by purchase in lieu thereof (a "Taking"), and such Taking renders the Leased Premises unsuitable in the commercially reasonable judgment of Tenant for Tenant's business operations; Tenant may terminate this Lease by giving notice to Landlord, such termination to be effective as of the date specified in such notice. If this Lease is not terminated, Tenant's condemnation award shall be used for the purpose of repairing or restoring the Improvements in accordance with Section 7.3.

13.2 Award.

Whether or not this Lease is terminated as a result of any Taking, Landlord and Tenant shall together make one claim for an award for their combined interests in the Leased Premises including an award for severance damages if less than the whole shall be so taken. The condemnation proceeds shall be distributed to Landlord and Tenant as their respective interests appear. Both parties shall have the right to appear in and defend against such action as they deem proper in accordance with their own interests at their own expense. To the extent possible, the parties shall cooperate to maximize the condemnation proceeds payable by reason of the condemnation. Issues between Landlord and Tenant required to be resolved pursuant to this Article shall be joined in any such condemnation proceeding to the extent permissible under then applicable procedural rules of such court of law or equity for the purpose of avoiding multiplicity of actions and minimizing the expenses of the parties. If this Lease is not terminated pursuant to this Article, it shall continue, except that commencing with the date on which Tenant is deprived of the use of any portion of the Leased Premises or of any rights under this Lease, Rent shall be abated or reduced according to the extent to which Tenant is deprived of the use or benefit of the Leased Premises or of any rights under this Lease. If the Taking occurs in the last five (5) years of the Term, either Landlord or Tenant, by written notice to the other, may terminate this Lease, such termination to be effective as of the date that the condemnor acquires title to all or a portion of the Leased Premises.

13.3 Taking for Temporary Use.

If there is a Taking of the Leased Premises for temporary use for a period equal to or less than eight (8) months, this Lease shall continue in full force and effect, Tenant shall continue to comply with Tenant's obligations under this Lease not rendered physically impossible by such Taking, neither the Term nor the Rent shall be reduced or affected in any way, but the Rent shall continue at the level of the last Rent paid prior to the Taking (including any subsequent increases in such Rent provided for under this Lease), and Tenant shall be entitled to any and all Awards for the use or estate taken. If any such Taking is for a period extending beyond such eight (8) month period, the Taking shall be treated as a total, substantial or partial taking, as appropriate.

ARTICLE 14 - DEFAULT

14.1 Default. The occurrence of any one or more of the following events shall, after the giving of the Notice of Default required by Section 14.2 or 14.4, constitute a default ("Default(s)") under this Lease by Tenant on Landlord, as applicable:

14.1.1 any failure by Tenant to pay the Rent or make any other payment required to be made by Tenant hereunder, on the date the payment is due; or

14.1.2 any breach by Tenant of its obligations under the Specific Plan, 2007 Development Agreement, or DDA, including, without limitation, failure to construct the Project in accordance with the Schedule of Performance or the Scope of Development, and the failure to cure such default under the terms of such documents; or

14.1.3 any breach by Tenant of its obligations under Section 5.1 of this Lease, including, without limitation, the Tenant's failure to continuously operate the Hotel; or

14.1.4 a failure by Tenant or Landlord to observe and perform any other condition, restriction, covenant, obligation or provision of this Lease to be observed or performed by Tenant or Landlord, as applicable.

14.2 Notice of Default; Tenant's Right to Cure.

14.2.1 If Tenant has committed or permitted to exist a breach of any provision of this Lease or has committed or permitted any other breach described above in Section 14.1, Landlord shall give notice of said breach ("Notice of Default") to Tenant.

14.2.2 Tenant shall be in default hereunder from Landlord if Rent for the prior calendar year is not paid by the twentieth (20th) day of July of each year of the Term or Extended

Term, if applicable (or if the twentieth day falls on a Saturday or Sunday, the first Monday following the twentieth (20th) day of July).

14.2.3 If the alleged Default is nonpayment of Rent, Additional Rent, Impositions or other sums to be paid by Tenant as provided in this Lease, Tenant shall have thirty (30) days after the Notice of Default is given to cure the Default. For any other Default, Tenant shall, after the Notice of Default, promptly and diligently commence curing the Default and shall have thirty (30) days after the Notice of Default to complete the cure of said Default; provided, however, that if the nature of said Default is such that the same cannot reasonably be cured within said thirty (30) day period, Tenant shall have such additional time as is reasonably necessary to cure such Default, but in any event no more than one hundred and twenty (120) days of receipt of the Notice of Default.

14.2.4 As used in this Lease, the term "Uncured Default" shall mean any Default by Tenant which continues uncured, following the giving of a Notice of Default as required by this Lease, for the entire cure period applicable to that Default under the provisions of this Lease.

14.2.5 Cures offered on behalf of Tenant by the limited partner of Tenant shall be received by Landlord as if offered by Tenant itself hereunder.

14.3 Landlord's Right to Cure Tenant's Defaults.

After expiration of the applicable time granted to Tenant for curing a particular Default and upon not less than five (5) business days' notice (unless a longer period of time is otherwise expressly provided by this Lease, in which case such longer period shall apply), Landlord may, at Landlord's election, make any payment (other than Rent payable to Landlord) required of Tenant under this Lease or perform or comply with any covenant or condition imposed on Tenant under this Lease, and the amount so paid, plus the reasonable cost of any such performance or compliance, plus interest on such sum at the Agreed Rate, from the date of payment, performance, or compliance until the date of repayment by Tenant, shall be due and payable by Tenant on the first day of the next calendar month following any such payment, performance or compliance by Landlord as Additional Rent hereunder. No such act shall constitute a waiver of any Default or of any remedy for Default or render Landlord liable for any loss or damage resulting from any such act (except to the extent such loss or damage arises from Landlord's or Landlord's Representatives' negligence or intentional or willful misconduct).

14.4 Notice of Landlord's Default; Tenant Waiver.

14.4.1 If Landlord has committed a breach under this Lease, as described in Section 14.1, Tenant shall deliver a Notice of Default to Landlord. Each Notice of Default shall specify the alleged Default.

14.4.2 Landlord shall, after notice, promptly and diligently commence curing the Default and shall have sixty (60) days after notice is given to complete the cure of said Default; provided, however, that if (i) the nature of said Default is such that the same cannot reasonably be cured within said sixty (60) day period, and (ii) Landlord shall have in good faith commenced and diligently and continuously pursued such cure, then Landlord shall have such time as is reasonably necessary to complete the cure of said Default. If it is determined that Landlord is liable to Tenant for damages pursuant to this Lease Landlord shall pay such damages to Tenant in accordance with such judgment within 30 days after such determination. Tenant shall have no right to offset any amount of damages owed by Landlord to Tenant against the Rent owed by Tenant to Landlord under this Lease. If any amount owed to the Tenant by Landlord is not paid when due, interest shall accrue on such amount at the Agreed Rate from the date due until the date that such amount is paid. After expiration of the applicable time for Landlord to cure a particular Default and upon not less than five (5) business days' notice (unless a longer period of time is otherwise expressly provided by this Lease, in which case such longer period shall apply), Tenant may, at Tenant's election, make any payment required of Landlord under this Lease or perform or comply with any covenant or condition imposed on Landlord under this Lease, and the amount so paid, plus the reasonable cost of any such performance or compliance, plus interest on such sum at the Agreed Rate, from the date of payment, performance, or compliance until the date of repayment by Landlord, shall be due and payable by Landlord on the first day of the next calendar month following any such payment, performance or compliance by Tenant. No such act shall constitute a waiver of any Default or of any remedy for Default or render Tenant liable for any loss or damage resulting from any such act (except to the extent such loss or damage arises from Tenant's or Tenant's Representatives' negligence or intentional or willful misconduct).

14.5 Landlord's Remedies.

14.5.1 In the event of any Uncured Default, then, subject to the rights of a Lender expressly set forth in this Lease, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder by giving written notice of such termination, in which event the Parties shall have no further obligation to one another under this Lease.

14.5.2 Notwithstanding the provisions of this Article 14 above to the contrary, if, within ten (10) days of Tenant's receipt of a Notice of Default with respect to a Non-monetary Default by Tenant, Tenant shall in good faith notify Landlord in writing that it disputes the existence of such Non-monetary Default and that it requests a determination of the existence or non-existence of such Non-monetary Default, then Landlord may not exercise its right to terminate this Lease pursuant to this Article 14 on account of such Non-monetary Default of Tenant until the expiration of the applicable cure period measured as if such cure period commenced upon the earlier of (i) the date of the determination that such Non-monetary Default exists, or (ii) the failure by Tenant to diligently and continuously pursue the legal proceeding. Subject to the rights of Lenders, if there is no express cure period for the default set forth in the Notice of Default, then the cure periods shall be

the same as those provided in Section 14.2.3 herein. The exercise of Tenant's rights pursuant to this paragraph shall not impair or delay the ability of Landlord to exercise any rights or remedies other than to delay Landlord's right to terminate this Lease.

14.5.3 In the event the Uncured Default consists of Tenant's failure to pay Rent to Landlord, Landlord shall also have the right to pursue all of its legal and equitable remedies against Tenant for collection of such amounts, including without limitation the remedy described in California Civil Code Section 1951.4 which provides that a lessor may continue a lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if the lessee has the right to sublet or assign, subject only to reasonable limitations.

14.5.4 Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage, deed of trust, or bonded indebtedness. Accordingly, if any installment of Rent shall not be received by Landlord or its designee within ten (10) days after Rent is due, or if any Additional Rent or Impositions shall not be received by Landlord within twenty (20) days after the Notice of Default is given, then without any requirement for notice to Tenant, Tenant shall pay to Landlord a late charge equal to five percent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of such late charge to Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder.

14.6 Tenant Remedies; Remedies Cumulative.

Except as otherwise expressly provided in this Lease, Tenant shall have all rights and remedies at law or equity upon the occurrence of an Uncured Default by Landlord hereunder including, but not limited to, the remedies provided under California Civil Code Sections 1951.2 (pursuant to California Civil Code Section 1951.2, the damages Landlord may recover against Tenant include, but are not limited to, the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award, exceeds the amount of such rental loss for the same period that the Tenant proves could be reasonably avoided). Each right and remedy of Landlord and Tenant provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease except as otherwise limited by this Lease, and the exercise or the beginning of the exercise by Landlord or Tenant of any one or more of the rights or remedies provided for in this Lease, except as otherwise limited by this Lease, shall not preclude the simultaneous or later exercise by Landlord or Tenant of any or all other rights or remedies provided for in this Lease, except as otherwise limited by this Lease.

14.7 No Waiver.

Landlord's or Tenant's failure to enforce any provision of this Lease with respect to a Default hereunder shall not constitute a waiver of Landlord's or Tenant's right to enforce such provision or any other provision with respect to any future Default. The acceptance of Rent by Landlord shall not be deemed a waiver of Landlord's right to enforce any term or provision hereof. The waiver of any term or condition of this Lease shall not be deemed to be a waiver of any other term or condition hereof or of any subsequent failure of any term or condition hereof.

14.8 Delays in Performance.

The time within which the Parties hereto shall be required to perform any obligation under this Lease shall be extended by a period of time equal to the number of days during which performance of such act is delayed due to an act of God, strikes, lockouts, fire, earthquake, flood, explosion, war, invasion, insurrection, riot, mob violence, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, unusually severe weather, application of governmental restrictions, regulations or controls not contemplated by this Lease or otherwise reasonably foreseeable, court order, delays or inaction of independent contractors, remediation of Hazardous Substances located upon the Leased Premises, litigation brought against the Leased Premises or a Party without that Party's consent, or other like events which are completely and strictly beyond a Party's control (the "Force Majeure Events"). The additional grace period or extension of time provided above shall be equal to the period of delay caused by the above-described event, which period shall commence to run from the time of the commencement of the cause for delay and shall terminate upon termination of that cause. A Party wishing to invoke this Section must notify in writing the other Party to this Lease of that intention within sixty (60) days of the commencement of any such cause for delay and shall, at that time, specify the reasons therefor, the specific provision of this Lease which will be delayed as a result, and the period of such extension, if known, or if not known, a reasonable estimate thereof.

ARTICLE 15 - EXPIRATION; TERMINATION

At the expiration or earlier termination of this Lease, Tenant shall surrender to Landlord possession of the Leased Premises free and clear of all liens, encumbrances and Mortgages other than those, if any, created by Landlord, those which both extend beyond the Term or Extended Term, if applicable, of this Lease and were expressly approved in writing by Landlord, or those which encumbered the Leased Premises prior to the Commencement Date of this Lease. Tenant shall leave the Leased Premises and any other property surrendered in its then existing, "as is" condition. As provided above at Article 6, all property that Tenant is required to surrender shall become Landlord's property at termination or expiration of this Lease. In addition, Tenant shall surrender to Landlord all residential leases, and all records related to the residential leases and compliance with the Agreement Affecting Real Property. All property that Tenant is not required to surrender but that Tenant does abandon by failure to remove said property within sixty (60) days after the expiration or

earlier termination of this Lease shall; at Landlord's election, become Landlord's property. At Landlord's request Tenant shall execute and deliver to Landlord assignments of leases and a quitclaim deed, both in commercially reasonable form and as prepared by Landlord. By the quitclaim deed Tenant shall quitclaim any right, title or interest which Tenant may have or claim to have in the Improvements.

ARTICLE 16— NO DISCRIMINATION

16.1 Tenant herein covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through them, and this Lease is made and accepted upon and subject to the following conditions: There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the Property.

16.2 Tenant, its successors and assigns, shall refrain from restricting the rental, sale, or lease of the Property or any portion thereof, on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin, or ancestry of any person. Every deed, lease, and contract entered into with respect to the Property, or any portion thereof, after the date of this Lease shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(1) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(2) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.

(3) In contracts: There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee, itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land.

ARTICLE 17 - MISCELLANEOUS

17.1 Landlord's Representations and Warranties: Landlord, covenants, represents and warrants to Tenant, as of the date of execution of this Lease, as follows:

17.1.1 Landlord is a public body corporate and politic under the laws of the State of California, has full legal right, power, and authority to enter into this Lease and to carry out and consummate all transactions contemplated by this Lease, and by appropriate corporate action has duly authorized the execution and delivery of this Lease. Further, Landlord will take those actions required to remain in good standing under the laws of the state of California during the term of this Lease.

17.1.2 To Landlord's actual knowledge, the execution, delivery and performance of this Lease by Landlord does not result in a material violation of, or constitute a material default under, any provision of any existing agreement, judgment or court order.

17.1.3 Except as revealed in writing by Landlord to Tenant, Landlord has not been served with any pending, and knows of no threatened, litigation or claims against the Leased Premises or against Landlord in connection with the Leased Premises which would have an adverse effect on the transactions contemplated herein.

17.1.4 Copies of all documents heretofore delivered by Landlord to Tenant are true, correct and complete copies of such documents in all material respects.

17.1.5 Landlord makes no representation or warranty as to the condition of the title to the Leased Premises except as provided in Section 208 of the DDA.

17.2 Tenant's Representations and Warranties.

Tenant covenants, represents and warrants to Landlord, as of the date of execution of this Lease, as follows:

17.2.1 Tenant is a limited partnership or corporation duly formed and in good standing under the laws of the State of California, has full legal right, power, and authority to enter into this Lease and to carry out and consummate all transactions contemplated by this Lease, and by appropriate action has duly authorized the execution and delivery of this Lease. Further, Tenant will take those actions required to remain in good standing under the laws of the state of California during the term of this Lease.

17.2.2 The representatives of Tenant executing this Lease are fully authorized to execute the same.

17.2.3 This Lease has been duly authorized, executed, and delivered by Tenant, and will constitute a legal, valid, and binding agreement of Tenant.

17.2.4 Except as may be revealed in writing by Tenant to Landlord, Tenant has not been served with any pending, and knows of no threatened, litigation or claims against Tenant which would have an adverse effect on the transactions contemplated herein.

17.2.5 Copies of all documents heretofore delivered by Tenant to Landlord are true, correct and complete copies of such documents in all material respects;

17.3 Survival of Representations, Warranties and Covenants.

The respective representations, warranties and covenants contained herein shall survive the Commencement Date and continue throughout the Term.

17.4 Further Assurances.

Each party hereto will promptly execute and deliver without further consideration such additional agreement, assignments, endorsements and other documents as the other party hereto may reasonably request to carry out the purposes of this Lease.

17.5 Estoppel Certificate.

Within thirty (30) days after request by Landlord or Tenant (which request may be from time to time as often as reasonably required by Landlord or Tenant) Landlord or Tenant shall execute and deliver to the other, without charge, a statement (the "Estoppel Certificate") in the form of Exhibit D attached hereto or in such other similar form as Landlord or Tenant may reasonably request. Any such statement may be conclusively relied upon by any Lender, Subtenant or prospective purchaser of the Leased Premises.

17.6 Notices.

All notices, requests, demands and other communications under this Lease shall be in writing and shall be deemed to have been given on (a) the date of service if served personally on the Party to whom notice is to be given, (b) the date of actual or attempted delivery provided such attempted delivery is made on a business day, if served by Federal Express, Express Mail or another like overnight delivery service, (c) the date of actual delivery as shown by the addressee's registry or certification of receipt or the date of addressee's refusal to accept delivery, if mailed to the person to whom notice is to be given, by first class U.S. mail, registered or certified, postage prepaid, return receipt requested and properly addressed as follows (or to such other address as either Party may from time to time direct by written notice given in the manner herein prescribed), or (d) (except for Permitted Lenders) one day after receipt of a confirmed facsimile transmission provided any such communication is concurrently given by one of the above methods:

If to Landlord: The Imperial Beach Redevelopment Agency
825 Imperial Beach Boulevard
Imperial Beach, California 91932
Attn: Executive Director
Tel: 619-423-0314
Fax: 619-628-1395

With a copy to: Kane, Ballmer & Berkman
515 S. Figueroa Street, Suite 1850
Los Angeles, California 90071
Attn: Susan Y. Cola
Tel: 213-617-0480
Fax: 213-625-0931

and, if to Tenant: SEACOAST INN, L.P.
1785 Hancock Street, Suite 100
San Diego, California 92110
Attn: Ashok Israni

Tel: (619) 296-9000

Fax: (619) 296-9090

17.7 Attorneys' Fees.

In the event that either Party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Lease or as a consequence of any breach by the other party of its obligations under this Lease, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees (including allocable costs for any in-house counsel) and out-of-pocket expenditures paid by the losing Party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees to the prevailing party, the prevailing party in any lawsuit on this Lease shall be entitled to its attorneys' fees incurred in any post judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of this Lease into any judgment on this Lease.

17.8 Headings.

The headings used in this Lease are inserted for reference purposes only and do not affect the interpretation of the terms and conditions hereof.

17.9 Rights of Successors.

All of the rights and obligations of the Parties under this Lease shall bind and inure to the benefit of their respective heirs, successors and assigns; provided, however, that nothing in this Section 17.9 shall be construed to limit or waive the provisions concerning restrictions on Transfer set forth in Article 9 hereof.

17.10 Amendments in Writing.

This Lease cannot be orally amended or modified. Any modification or amendment hereof must be in writing and signed by the Party to be charged.

17.11 No Brokers.

Each Party shall defend, indemnify, and hold the other harmless from all costs and expenses, including attorneys' fees, arising out of any and all claims for broker's agent's or finder's fees or commissions in connection with the negotiation, execution or consummation of this transaction incurred as a result of any statement, representation or agreement alleged to have been made or entered into by the indemnifying Party. Neither Tenant nor Landlord is entitled to receive any brokerage commission as a consequence of this transaction.

17.12 Negation of Partnership.

Nothing in this Lease shall be construed to render Landlord, a partner, joint venturer, or associate in any relationship or for any purpose with Tenant, other than that of Landlord and Tenant, nor shall this Lease be construed to authorize either to act as agent for the other.

17.13 Time of Essence.

Time is of the essence of each provision in this Lease, subject to delays caused by any of the force majeure events set forth in Section 14.8.

17.14 Interpretation.

When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The term "Person" as used in this Lease means a natural person, corporation, limited liability company, association, partnership, organization, business, trust, individual, or a governmental authority, agency, instrumentality or political subdivision, and whenever the word "day" or "days" is used herein, such shall refer to calendar day or days, unless otherwise specifically provided herein. Whenever a reference is made herein to a particular Section of this Lease, it shall mean and include all subsections and subparts thereof. The word "include" or "including" shall describe examples of the antecedent clause, and shall not be construed to limit the scope of such clause.

17.15 Applicable Law; Severability.

The interpretation and enforcement of this Lease shall be governed by the laws of the State of California. Should any part, term, portion or provision of this Lease, or the application thereof to any person or circumstances be held to be illegal or in conflict with any Governmental Restrictions, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms, portions or provisions, or the application thereof to other persons or circumstances, shall be deemed severable and the same shall remain enforceable and valid to the fullest extent permitted by law.

17.16 Exhibits.

All exhibits referred to in this Lease are attached hereto and incorporated herein by reference.

17.17 Short Form of Lease.

Prior to Agency's conveyance of the Leased Premises to Tenant, the Parties shall execute and thereafter record with the County Recorder of San Diego County a Memorandum of Lease, attached hereto as Exhibit C, giving notice of the existence of this Lease and the Term hereof.

17.18 Landlord's Rights of Inspection.

Landlord and its authorized Representatives shall have the right during business hours, upon not less than twenty-four (24) hours' oral or written notice to Tenant (except that in the case of an emergency, the existence of which shall be determined by Landlord in its reasonable discretion, no advance notice shall be required) to enter upon the Leased Premises for purposes of inspecting the same and exercising its rights under this Lease, provided that such inspections shall not unreasonably interfere with Tenant's or its Subtenant's construction or business activities. Tenant has the right to designate representatives to accompany the Landlord's representatives on such inspections. Landlord agrees to coordinate with Tenant to schedule such inspections so that Tenant's representatives may attend the inspections, in the discretion of such Tenant.

17.19 Nonmerger of Fee and Leasehold Estates.

If both Landlord's and Tenant's estates in the Leased Premises become vested in the same owner (other than by termination of this Lease following an Uncured Default hereunder, subject to the rights, if any, of a Lender pursuant to Article 8 above), this Lease shall not be terminated by application of the doctrine of merger except at the express election of Landlord and with the consent of each Lender holding a Leasehold Mortgage.

17.20 Counterparts.

This Lease may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

17.21 Interest On Past Due Obligations.

Except where another rate of interest is specifically provided for in this Lease, any amount due from either Party to the other under this Lease which is not paid within ten (10) days after receipt of written notice that such amount is due (or in the case of Rent, within three (3) days after such Rent is due), shall bear interest at the Agreed Rate from the date such amount was originally due to and including the date of payment.

17.22 Holding Over.

Any holding over by Tenant after the expiration of the Term shall be construed as a tenancy from month to month and shall be subject to all of the terms and conditions which are provided for in this Lease except that the Rent shall be in an amount equal to 150% of the Rent in effect immediately prior to the expiration of the Term.

17.23 Access for Lender.

Landlord and Tenant authorize each holder of a Leasehold Mortgagee to enter the Leased Premises as necessary to effect such Lender's cure rights hereunder, to take any action(s) reasonably necessary to effect such cure, to preserve and protect the Leased Premises and to otherwise exercise its right and remedies under such Lender's Leasehold Mortgage. A Leasehold Mortgagee's rights under this paragraph or exercise of such rights shall not constitute control of the Leased Premises or mean that such Lender has possession of the Leased Premises or liability to Landlord or Tenant.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

TENANT:

SEACOAST INN, L.P., a California limited partnership

By: PAC SEACOAST LLC, a California limited liability company / its General Partner

Signature on File

Dated: 3-9-11

By:

Deepak Israni, Secretary

LANDLORD:

IMPERIAL BEACH REDEVELOPMENT AGENCY

Signature on File

Dated: 3/10/11

By:

Gary Brown
Executive Director

APPROVED AS TO FORM AND LEGALITY

KANE, BALLMER & BERKMAN

Agency Special Counsel

Signature on File

By:

Susan Cola

EXHIBIT A

LEGAL DESCRIPTION OF THE LEASED PREMISES

LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of San Diego, and described as follows:

Lot 1 ~~and Lot A~~ of Seacoast Inn in the City of Imperial Beach, County of San Diego, State of California, according to Official Map thereof No. 15792 recorded September 8, 2010 in the Office of the County Recorder of San Diego County.

Excepting therefrom, that portion of Date Avenue dedicated and accepted on said Map in favor of the City of Imperial Beach.

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EXHIBIT B

SITE MAP

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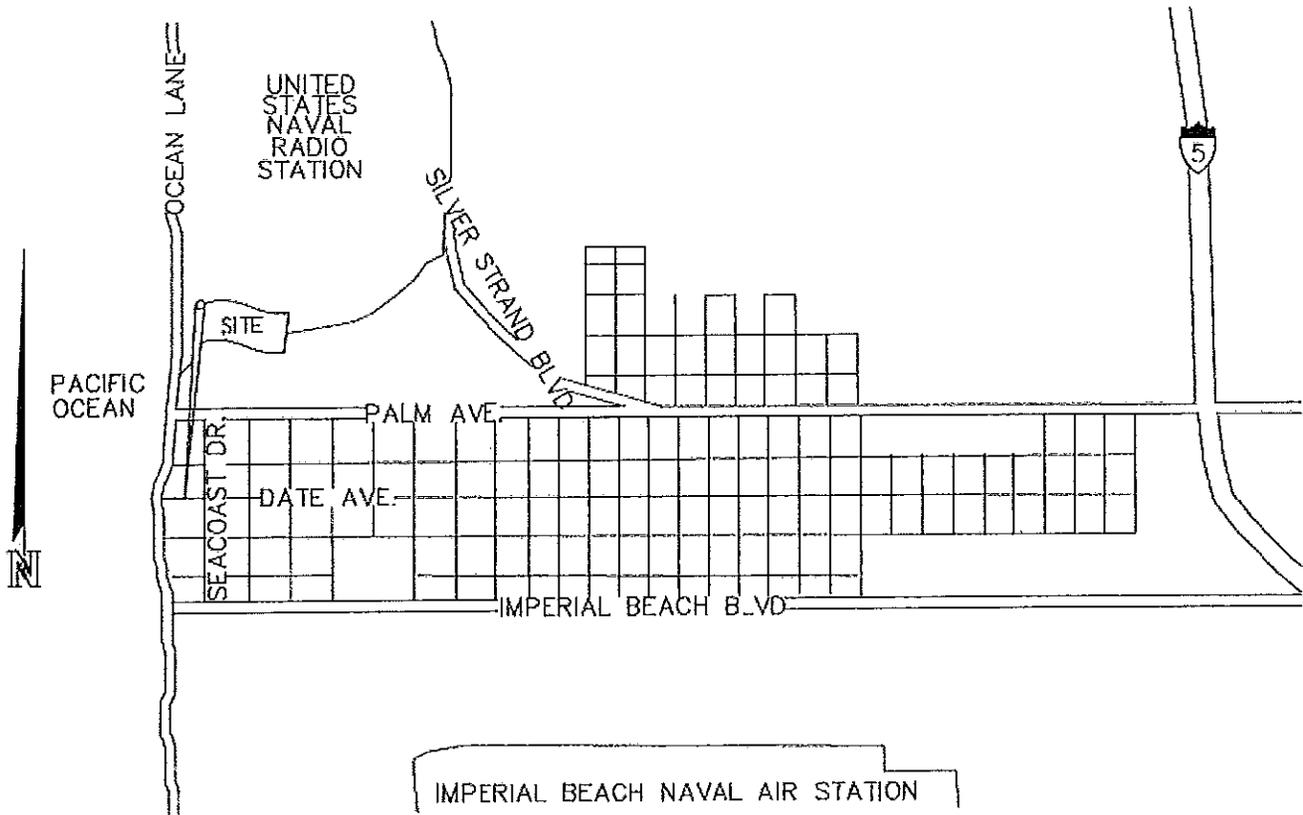
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EXHIBIT B
SITE MAP

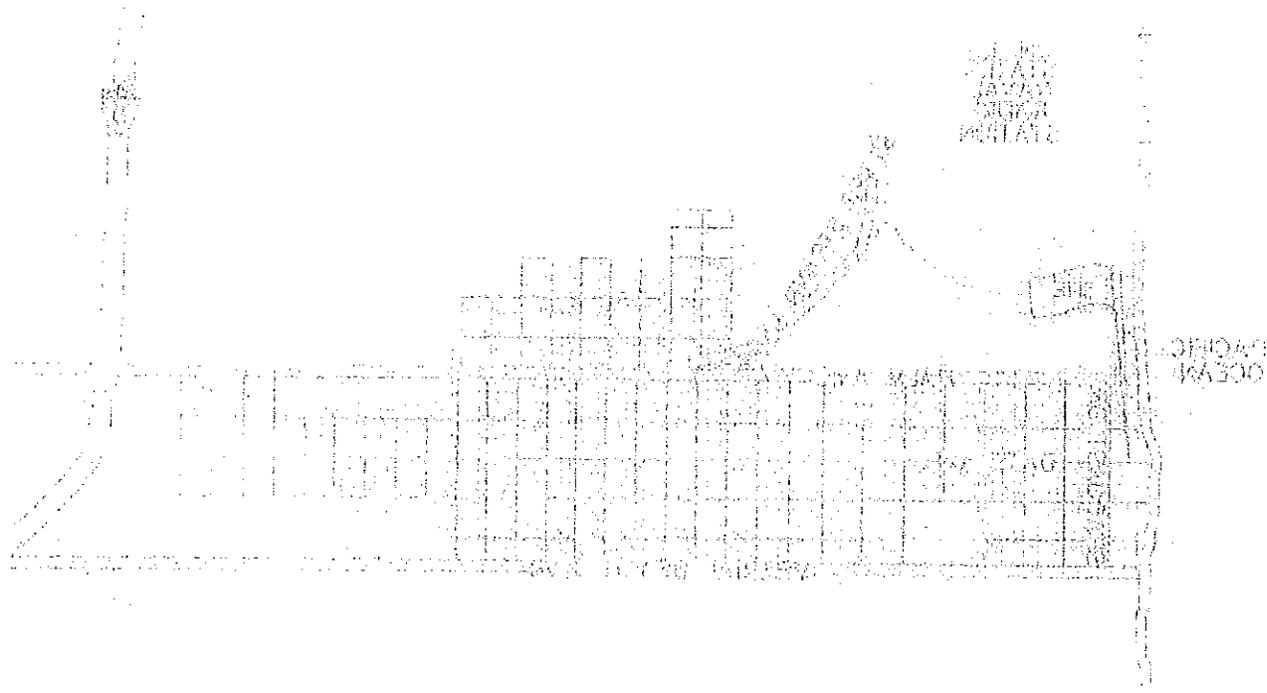


VICINITY MAP

NO SCALE

PLATE 23

TAMM STY



GENERAL PLAN OF TAMM STY

ARCHITECTURAL DRAWING
 T. J. HARRIS
 ARCHITECT

EXHIBIT C

MEMORANDUM OF LEASE

OFFICIAL BUSINESS

Document entitled to free
recording per Government
Code Section 6103.

Recording Requested by and
When Recorded Mail to:

THE IMPERIAL BEACH REDEVELOPMENT AGENCY
825 Imperial Beach Boulevard
Imperial Beach, California 91932

Attn: Executive Director

MEMORANDUM OF LEASE

1. Parties. This Memorandum of Lease is entered into by IMPERIAL BEACH REDEVELOPMENT AGENCY ("Landlord"), and SEACOAST INN, L.P., a California limited partnership ("Tenant"). The Lease (as defined below) was executed by Landlord on March 15, 2011. The "Commencement Date" of the Lease is the date this Memorandum of Lease is recorded in the official records.

2. Grant of Lease: Term. For good and valuable consideration received, Landlord leases to Tenant, and Tenant leases from Landlord, that certain real property (the "Property") located in the City of Imperial Beach, County of San Diego, State of California, described in Exhibit A attached hereto and incorporated herein by this reference, for a term ("Term") commencing on the Commencement Date and ending on the fifty-fifth (55th) anniversary of the Commencement Date. All of the terms, provisions and covenants of the Lease are incorporated in this Memorandum of Lease by reference as though written out at length herein, and the Lease and this Memorandum of Lease shall be deemed to constitute a single instrument or document.

3. Purpose of Memorandum of Lease. This Memorandum of Lease is prepared for recordation purposes only, and it in no way modifies the terms, conditions, provisions and covenants of the Lease. In the event of any inconsistency between the terms, conditions, provisions and

covenants of this Memorandum of Lease and the Lease, the terms, conditions and covenants of the Lease shall prevail.

The parties hereto have executed this Memorandum of Lease on the dates specified immediately below their respective signatures.

“Landlord”

IMPERIAL BEACH REDEVELOPMENT AGENCY

Signature on File

Dated: 3/10/11

By:

Gary Brown
Executive Director

“Tenant”

SEACOAST INN, L.P.,
a California limited partnership

By: Pacifica Hospitality Group, Inc.
a Nevada corporation
Its General Partner

Deepak Israni, Secretary

STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

On MARCH 10, 2011 before me, TINA MARIE A.C. BARCLAY, a Notary Public, personally appeared GARY BROWN, 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.

Signature Signature on File (Seal)



STATE OF CALIFORNIA)
)ss.
COUNTY OF SAN DIEGO)

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.

Signature _____ (Seal)

STATE OF CALIFORNIA)

)ss.

COUNTY OF SAN DIEGO)

On this _____ day of _____, 20____, 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.

Signature on File



(Seal)

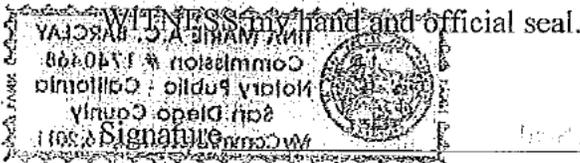


EXHIBIT D

Estoppel Certificate

The undersigned, as Tenant [Landlord] under that lease dated _____ (the "Lease") made between IMPERIAL BEACH REDEVELOPMENT AGENCY ("Landlord"), and SEACOAST INN, L.P., a California limited partnership ("Tenant"), hereby certifies as follows:

(1) That Tenant has entered into occupancy of the premises described in said lease (the "Leased Premises");

(2) That the Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way, except as follows: _____;

(3) That the Commencement Date of the Lease is _____;

(4) That there is an unexpired term thereunder of _____ years;

(5) That to the knowledge of the undersigned there are no defaults by either Tenant or Landlord thereunder, except as follows: _____;

(6) That no rents have been prepaid, other than as provided in the Lease.

EXECUTED THIS _____ day of _____, _____.

[Tenant] [Landlord]

By: _____
Print Name: _____
Its: _____

By: _____
Print Name: _____
Its: _____

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